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MODERN BUSINESS TRAINING AND THE METHODS AND MACHINERY OF BUSINESS

A COMPLETE TEXT-BOOK FOR STUDENTS

By JOHN KING GREBBY

LATE EXAMINER TO THE ROYAL SOCIETY OF ARTS; AUTHOR OF "MODERN COMMERCIAL CORRESPONDENCE," ETC.

SIXTEENTH EDITION

Entirely Revised

BY

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OF THE INNER TEMPLE, BARRISTER-AT-LAW

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PREFACE

GREBBY'S "Modern Business Training" is now so well known and appreciated as a Business Manual that few words of introduction are necessary to the present edition.

The book contains many useful forms and illustrations in addition to the subject-matter, and is a comprehensive guide to practical business methods. It also meets the needs of students reading for "General Commercial Knowledge" papers as set by the various Accountancy bodies, for the examination on "The Theory and Practice of Commerce" of the Royal Society of Arts, and "Methods and Machinery of Business" in the syllabus of the London Chamber of Commerce and other bodies.

Alterations in the chapters dealing with Railway Law have become necessary owing to the operation of the Railways Act, 1921. The chapter on Partnership and Bankruptcy Law has been redrafted, and that on Companies has been revised in view of the Companies Act, 1929.

In conclusion, I am grateful to my friend, Mr. J. S. Henderson of the Middle Temple, Barrister-at-Law, who has given readers the advantage of his learning and experience in the law of Carriage by Sea and Marine Insurance by revising Chapter XXII, which deals with these subjects.

F. PORTER FAUSSET.

LINCOLN'S INN.
May, 1931.

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INTRODUCTION

THE foundation of success in Business lies in the possession of good moral character, coupled with mental and physical vigour; in the ability to write neatly and plainly simple, grammatical English, and in a thorough grip of Elementary Arithmetic and Geography. Any youth possessing these qualifications will be gladly welcomed by business men, even though he is quite ignorant of the methods and machinery of business; and the same qualities and attainments which make him an acceptable recruit will, if strengthened and extended, fit him to occupy creditably the higher positions open to him.

The Next Step. The junior with intelligence and ambition will wisely seek every possible aid in his business career. It would take years for him to acquire by experience alone the knowledge possessed, say, by a man competent to control a large counting-house. During those years he would be occupied with the business in its isolated parts. Each successive promotion would bring a further extension of his knowledge, but not till late would the isolated parts become related in his mind, and he be able to take a comprehensive view of a large business as an organised whole. There is therefore every reason why the junior should begin to make acquaintance with the entire machinery of business while he occupies a lowly position, or while he is still at school or college. Such knowledge will give him a more intelligent interest in the particular work in which he is actually, or shortly to be, engaged, enable him to grasp promotion, and, having grasped it, to retain his hold.

Objects of this Book. The objects, then, of this book are twofold:

(1) To furnish an elucidation of modern commercial methods and familiarise the student with the whole machinery of a large general merchant's business.

(2) To explain the legal and economic principles underlying the operations of commerce, and to give an exposition of the specialised branches of business, such as Life, Marine, Fire, and other Insurance, and those connected with the Stock Exchange, the Foreign Exchanges, and the Money Market.

General Knowledge and Specialised Knowledge. The Business world may be compared to a college. Just as in some colleges there are two sides—the Classical and the Modern—

the educational ends of which are in some aspects distinct, so in business there are two sides, the *Clerical* and the *Merchant's* (I leave out here any consideration of the manufacturing side of a business, with which this book has obviously little to do); and as in a college, notwithstanding the two sides, all the students receive, up to a point, the same training, so also in business there is a body of knowledge and experience which all must acquire, whether they be clerical assistants or merchant's assistants.

The First Question the junior should ask himself is, What section of business do I intend to follow? This is important, for in almost every business of any magnitude there is a strict line of demarcation between a clerical assistant and a merchant's assistant. Take, *e.g.*, a large City firm of wholesale grocers employing perhaps five hundred assistants. Those in the buying, selling, and shipping departments are the merchant's assistants. They handle the goods, they know whence the goods are imported, the prices paid for them, how and where they are sold, and the prices received. They become acquainted with market fluctuations and their causes, they learn to distinguish the different qualities of goods and to appraise their probable market values. Eye, taste, and smell are educated, and each of them may fairly be regarded as a wholesale grocer in the making. From them travellers, buyers, and managers are drawn, and from them new firms come into existence.

On the other hand, the clerical assistants have very little practical knowledge of the goods dealt in. Their work is concerned with—to enumerate the points in the order of least importance—stamping, recording, and despatching letters, telegrams, and parcels, filing documents, inward and outward, taking down and typing letters, keeping the books of account, rendering statements, collecting debts due to the firm, checking and settling accounts, paying the staff, the control of the banking account, the preparation of travellers' returns and expenses sheets, statistics of business progress, cost accounts, departmental accounts, trading accounts, profit and loss accounts, balance-sheets, minutes of meetings and agenda papers, and, generally, with all the multifarious duties connected with the secretarial, accountant's, cost, and correspondence departments of the firm, the principles of which duties are very much the same, no matter what may be the character of the business.

If, then, the young aspirant elect to find his life's work on the clerical side of a business he must make up his mind to acquire such a knowledge of book-keeping, secretarial work, and business organisation generally as shall constitute him the equal, in all but professional status, of a fully qualified accountant. If, on the other hand, his objective be the merchant's side of a business he will stay on the clerical side sufficiently long to acquire a thorough grasp of its organisation and practical working, and then transfer himself to one or other of the departments closely concerned with the actual handling of the goods.

Need for Study. Continuous and systematic study is essential to the junior; and I shall indicate here the lines upon which his studies may profitably proceed. The Board of Education rightly discourages the isolated study of such subjects as shorthand and typewriting, and seeks rather to induce students to qualify in particular courses of study which, while they may include proficiency in shorthand and typewriting, aim at giving the student a thorough all-round knowledge, calculated to develop his mind and fit him, not merely for more or less mechanical posts, but for enlarged spheres of action. In this they are ably supported by the education committees throughout the country, and the many excellent private teachers who prepare candidates for the examinations held by the Royal Society of Arts, the London Chamber of Commerce, the National Union of Teachers, the Union of Lancashire and Cheshire Institutes, the Midland Counties Union of Educational Institutions, the West Riding County Council, the Institute of Chartered Accountants, the Society of Incorporated Accountants and Auditors, the Incorporated Secretaries' Association, the Chartered Institute of Secretaries, etc.

I will assume that the student has progressed no further than is indicated in the opening paragraph of this book—that is to say, he is able to write a fair hand, possesses a good knowledge of English, geography, and arithmetic—and, further, that he will avail himself of the courses of study offered by the numerous technical schools and colleges in London and the provinces, or the assistance of some fully qualified private teacher, with a view to the gaining of a diploma from any of the examining bodies already mentioned. To take the subjects in some kind of order, I begin with Handwriting.

Handwriting. It is true that the pen does not play the exclusive part in office work that it formerly did, but it is well to remember that the greater proportion of clerical work is still done by its use. It is true, also, that the ability to write a good hand is now a common instead of a rare accomplishment; but large numbers of youths who could write well appear to consider it more consistent with their dignity to write badly. This is a foolish affectation. Nine out of ten successful applicants for junior posts are chosen because, amongst other things, their letters of application are well written. A bad writer would never be appointed to keep a ledger, or given the post of invoicing clerk, or, indeed, any post where good penmanship was a consideration. And an employer who could not promote an assistant one step at a time would require a good deal of persuasion to promote him two or three steps at a time. Every one, then, should strive to acquire good handwriting. Let it be free, bold, and plain, with short loops, on the lines of what is usually termed the Civil Service style. Flourishes and ornamentation of all sorts are vulgar, and a dissipation of energy which, contrary to general belief, serves no useful purpose in the prevention of forgery. The really difficult handwriting to imitate is not the complicated caligraphy one sometimes sees in the autographs of popular entertainers and others, but the severely plain handwriting usually characteristic of men of action. I speak from my own experience when I say that practice is all that is required to make a bad into a good writer. Get your teacher to select a copybook of a good model and practise fifteen minutes daily, showing up your work once or twice a week for criticism. In three months you will be astonished at your progress, particularly if you carry the copybook models in your mind and take as much pains with the clerical work in the office as you do in your copybook practice.

Shorthand and Typewriting. A knowledge of these subjects is extremely useful in the early stages of a commercial career, and in many departments of business essential. Apart from their intrinsic worth as time-savers, which modern business could not dispense with, they are an undoubted aid to accurate spelling and punctuation, they foster habits of neatness and orderliness, and they bring to the junior's knowledge many kinds of commercial documents which in the ordinary way he would not handle. The shorthand-writer and typist is usually in close touch with his principal or manager, who is thus enabled to form a good judgment of his character and ability. Not infrequently the foundation of a successful business career is laid by the way in which the junior discharges these duties. In typewriting a speed of from 40 to 50 words, and in shorthand a speed of anything between 90 and 120 words per minute is, generally speaking, sufficient for commercial work.

But while attaining these accomplishments the student should remember that shorthand and typewriting are not ends in themselves, but means to an end. They are two of the stepping-stones by which he may hope to rise to a responsible position in the business world. He should therefore look forward to the time when he will no longer be engaged taking down and transcribing the words of others, but dictating correspondence himself; and he should lay his plans accordingly.

Foreign Languages. French, German and Spanish are the most widely used foreign languages in commerce, and the student would do well to acquire a knowledge of one or more of these languages. He should learn to *speak* the foreign tongue as well as to *write* it. One frequently meets men perfectly competent to write a French or Spanish letter of an ordinary type who are quite unable to carry on an effective conversation in the language. The question which foreign language the student should concentrate upon is, however, a relative one. It often happens that the foreign language most useful in a particular business is not either French, German, or Spanish, but Russian, Portuguese, or an Eastern language—Japanese or Chinese. The discipline of acquiring this language, whichever it may be, would have an immediate beneficial effect, bracing the mind and developing the character of the student; and later, should the need for sending out a representative or establishing a branch abroad arise, such knowledge, other things being equal, would give the assistant who had had sufficient foresight and resolution to acquire it a good chance of being selected for the post. But as with typewriting and shorthand, so with foreign languages, the student should guard against his business outlook being narrowed to that of a foreign correspondent pure and simple. A good foreign correspondent is usually highly valued by his employer, who is loth to transfer him to other departments and run the risk of inferior service from less competent persons. But a good foreign correspondent, like a good shorthand writer and typist, is not necessarily a good business man, and the aim I would set before my readers is all-round business efficiency rather than special or peculiar efficiency.

Geography. The geographical knowledge of most use in business is geography that has a distinct commercial and economic bearing. It should include, *e.g.*, a knowledge of the trade routes of the world, the distances between different ports, the products shipped from them, the steamship and sailing-ship lines serving them, the average time of transit between different ports (*a*) for steamships, fast and slow, (*b*) for sailing vessels. The student should know the chief railway systems of the world and the districts served by them, and be able to give the towns through which he would pass on a journey, say, from London to Aberdeen, Exeter, Dublin, or Cork, and the routes he would follow from London, say, to Vienna, Marseilles, or Bombay.

He should know the courses of the great canals in the British Islands, and have a clear notion of the advantages and disadvantages of canal over railway or steamship transit. He should possess a good working knowledge of canal, railway, and steamship rates, and be familiar with the cable systems of the world and the variations of time in different parts. He should have a sound knowledge of the manufactures and commercial products of different countries, and the processes through which those products pass before they become the ordinary articles of trade; and he should learn to appreciate the physical and economic conditions which determine the rise and growth of countries and cities in productive and manufacturing power. Finally, though this scarcely comes under the heading of geography, he should be acquainted with our own Customs and Excise regulations, and with the tariff systems and the rules governing the importation of goods into protected countries.

English. There are few more important subjects than this, and yet few in which the ordinary junior more frequently fails. How rarely does one see a junior's letter undisfigured by orthographical or grammatical errors, or one in which the points are concisely, cogently, and persuasively presented! The student is recommended to practise composition by paraphrasing passages from the standard English authors, and by making *précis* of their contents. Another very valuable aid to proficiency in the kind of composition best suited to business letters is to read through and study a good collection of actual business letters, such as are given in books on commercial correspondence. Careful study of such a collection will enable the student to form a correct style of his own, and, further, serve to make him familiar with the terms and phrases and methods of business adopted in particular trades Works such as Dr. Abbott's "How to Write Clearly," Trench "On the Study of Words," and Dr. Henderson's "The English Way: a Text-book on the Art of Writing," should be in the hands of every student and be thoroughly mastered. It may be added that a conscientious study of Chapters I to IV of J. K. Grebby's little book, "A First Course in Commercial Correspondence and Office Routine," might help a student to avoid many of the pitfalls which beset the path of anyone trying to express his thoughts in our difficult mother-tongue.

Arithmetic. The student should diligently practise himself in summing long series of figures, set both horizontally and vertically, termed "long and cross tots," and in *mental* arithmetic. Calculations requiring the aid of a pencil should be worked by short methods, a few of which will be found in Chapter XIX. Short methods are particularly advantageous in the case of interest calculations, and in expressing decimal parts of a pound sterling. He should be acquainted with the monetary systems of the world and with the metric system of weights and measures, and be able easily to convert the currency of one country into the currency of another, and to express English weights and measures in terms of the metric system.

Book-keeping. This is probably the most important of all commercial subjects, and the student should not be satisfied till he has thoroughly mastered the principles of Double Entry, the preparation of Trial Balances, Cost, Trading, Profit and Loss Accounts, Balance-sheets and Income Tax returns, the methods of dealing with Branch, Consignment, Joint, Royalty, Partnership, and Companies' accounts, the procedure followed in converting private businesses into Limited companies, and in winding up private and companies' businesses.

Further Remarks. I have indicated in the foregoing brief notes the lines on which the student should proceed to qualify for ordinary positions, but as his responsibility widens fresh demands will be made upon him. If he is to win any of the *prizes* of commerce he will see the necessity for continuing his knowledge of the principles and practice of book-keeping into the higher regions of *Accountancy.* To an understanding of the commercial uses of Cheques, Bills of Exchange, and other Negotiable Instruments he must add acquaintance with the *Law* relating to those instruments, and the important subjects of Contract, Carriage by Land and Sea, Partnership, Public and Private Companies, Bills of Sale, Bankruptcy, etc. He must have practical knowledge of the relationship between *Landlord and Tenant* and the bases on which business and other premises are purchased or leased, also of the procedure followed in the *Recovery of Debts* and in *Civil and Criminal Prosecutions.* He must keep himself abreast of new developments in *Business Organisation* and *Office Appliances,* master a good treatise on *Banking,* and gain insight into the principles and practice of *Marine Insurance, Life, Fire, Workmen's Compensation,* and other kinds of Insurance; and understand the business of *Bill Broking, Stock and Share Dealing,* and the operations connected with the great *Produce Markets.* It will be to his advantage to study a good book on the subjects of *Investment* and *Finance,* and grasp the principles that should govern the investment of his own money and the money of others and learn to appreciate that the fluctuations in the market prices of securities are not capricious, but due to constantly recurring influences capable of forecast and measurement. *Economics* also is a subject to which he should give serious attention. Strikes, Lock-outs, Conciliation and Arbitration Boards, Co-operative and Profit-sharing Schemes, Industrial Assurance, Protection and Free Trade are subjects intimately connected with industrial and social well-being, and a sound treatise on Economics will throw much-needed dry-light upon all these subjects, which are generally discussed with more heat than knowledge. *Statistics* is another branch of knowledge that should reward the student for his attention, and he will be fully repaid if he learn something of the duties of *Chairmanship* and the conduct of public meetings.

Final Caution. Add to his knowledge as he will, it cannot be too strongly emphasised that the great factor of success in Business Life is that of which I have spoken in the opening paragraph of this book, viz. good moral character. Experience in general amply demonstrates that failure in business is more frequently attributable to moral than to intellectual weakness. By good moral character I do not mean the absence of vice merely. It is to be presumed that all my readers are honourable and upright in their dealings, temperate in their habits, and cleanly in their persons. I mean rather that decision of character, steadiness of mind, and fixity of purpose which enable us to pursue a distant goal, impervious to empty ridicule, silent under rebuke, buoyant in the face of difficulty, patient under real or fancied slight, superior to the depressing effects of failure, and above all restrained in the moments of success. This happy condition of mind and heart is not born in us. It is slowly acquired by habits of self-discipline ; and the means of self-discipline are not to be sought in remote adventures or unusual penance, but in the way we meet and utilise the common incidents of our everyday life. I may perhaps fittingly conclude these introductory remarks by emphasising the wisdom of adding some counterpoise to the strain of business by both mental and physical recreations. The relaxation of mind secured by the pursuit of some branch of study or rational hobby, and by regular outdoor exercise in any of the various departments of athletics, offers an ample reward in the resulting increased elasticity of mind. Many an unpleasant business episode which would otherwise rankle in the mind and produce a baneful harvest of jealousy, distrust, and peevishness of temper is thrown off and forgotten by what has happily been called " the expulsive power of a new affection."

CHAPTER I

ANSWERING ADVERTISEMENTS; RECORDING INWARD CORRESPONDENCE; COPYING AND INDEXING LETTERS

As a general rule the position of junior clerk is obtained by means of written application in response to an advertisement in the public Press. Perusal of the advertisement columns in the more considerable of the London and provincial dailies will reveal quite a number of advertisements worded in some such style as the following:

> Youth required in firm of wholesale tea-dealers. Must be good writer and quick at figures. One just left school preferred. Apply Box 3742, *Daily Telegraph* Office.

Seeing that the applicant's reply is the only ground on which the advertiser can form a judgment of his would-be assistant's fitness for the post, considerable care should be exercised in framing the letter. An application in which nothing is definitely stated but everything left to inference is certain to be unanswered. Such a letter as the following, for example, would be quite useless:

> Dear Sir,
> In reply to your advertisement in the *Daily Telegraph*, I should like very much to get into a wholesale tea firm, and if you care to see me I will call on hearing from you.
> Yours respectfully,
> William Brown.

So, too, would be an impolite, illiterate, and immodest application like this:

> Gents,
> Seeing your advt. in the *Daily Telegraph* to-day I think I would suit you as I am good at arithmetic and write better than I do sums as you will judge from this. Let me know when you can see me so as I can call.
> Yours fthly.,
> Albert Toogood.

The first thing to do is to read carefully through the advertisement, and note particularly the qualifications required by the advertiser. In this instance they are two in number; (1) Good writing, (2) quickness at figures. Assuming that the applicant possesses these qualifications, it should be remarked also that a boy who has just left school is preferred. Remembering, too, that an employer always desires some knowledge of the personal character of the applicant, or to be put in a position to make the necessary inquiries about him, and that the advertiser is a wholesale tea-dealer, we can proceed to draft a reply:

15 ARLINGTON ROAD,
TOTTENHAM, N.
July 15, 19...

SIR,

In reply to your advertisement in this morning's *Daily Telegraph*, I beg to offer you my services.

I am sixteen years of age, and left, only three weeks ago, the London County Council Central School, Hampstead, where I stood third boy in the 7th Standard. I think I may say I am quick at figures, and this letter will enable you to judge my handwriting.

My late head master, Mr. W. Simcox, to be addressed at the school, has kindly promised to speak for me, and I think you will find that his reference will give you every confidence in my fitness for the post.

I may add that my father conducts a retail grocer's business at this address, and I have therefore some acquaintance with the tea trade.

Trusting to receive the favour of an appointment,
I am,
Yours respectfully,
ROBERT ALLPRESS.

Scrutiny of the foregoing letter will show that (1) every point mentioned in the advertisement has been dealt with; (2) a fact calculated to further the writer's application—viz. that he possesses some knowledge of the tea trade through his father, a retail grocer—has been wisely introduced; (3) it is obviously the letter of a modest, intelligent, and well-trained boy, who has nothing to fear from the closest inquiry, and who may, therefore, be called up for an interview with a reasonable prospect of engagement.

There are a few other points to which I may direct the student's attention. He will note that I begin the letter, not with *Dear Sir*, but with *Sir*, as being more respectful, and that I conclude the letter with some formality for the same reason. He will also observe the comma after the salutation *Sir*, and the commas after the separate divisions of the complimentary close of the letter, *I am, Yours respectfully*. Lastly, I may express the hope that when the student himself comes to apply for a situation his letter will be as free from blots, erasures, misspellings, and other disfigurements, and be as accurately spaced and paragraphed as is the imaginary letter here printed. The student must not suppose that careful attention to small details of arrangement and presentment is misplaced. It may make all the difference between success and failure, for an employer who sees perhaps a blot, a misspelling, one or more erasures, or parts of the writing untidily jumbled together, would be inclined to pass over the applicant even though in other respects the letter was unexceptionable.

I will assume that the letter has met with a favourable reception, that an interview has taken place, and inquiry been made of Mr. Simcox, the schoolmaster, with the result that Robert Allpress has been appointed to the post; and I will now introduce him to his work.

The duties of a junior clerk are of necessity simple and somewhat mechanical, but nevertheless they afford scope for intelligent and conscientious service, and advancement will depend upon the way in which those duties are discharged. I am not an advocate of rule-of-thumb morality, for right principles are worth all the prudential and moral maxims ever invented; but if he has not already learned the lesson, a very few days spent in an office should convince the junior that punctuality and thoroughness in the performance of his allotted tasks, tidiness in his person and work, respectfulness to superiors, and scrupulous honesty in all his dealings must be observed if he is to make any headway in his employer's esteem. If the business is a small one he will probably be required to reach the office half an hour before the senior clerks arrive, this interval being occupied in changing the revolving calendars, altering the dating stamps, filling the ink-wells, dusting and generally placing everything in order for the day's work. After the senior clerks have arrived he will be at liberty to proceed with the more important work entrusted to his care. In large offices, however, the dusting, etc., would be done by a resident housekeeper, or by porters; and all the clerks would be expected to arrive at the same hour.

Recording Inward Correspondence. In almost every business-house inward letters, telegrams, etc., are recorded in a *Letters Received Book*. The record of each letter is naturally of the briefest possible character, but if accurately kept it is valuable; *e.g.* in cases where the receipt of a letter is in dispute reference to the record would decide the point. Letters are usually opened by the Principal, the Manager, or Head Clerk, who stamps them and any enclosures with a rubber dating stamp; the junior then makes the record in the Letter Received Book at the dictation of the opener. The entries of such letters would appear somewhat as follows:

DATE	NAME	ADDRESS	PARTICULARS
19..			
15 Feb.	Henderson, James, and Son	Calcutta	Order and 90 d/s dft. for £115 10*s*. 6*d*.
	Woodland and Archer	London	B/L&Frt. a/c £3 10*s*. 7*d*.
	Forward Bros.	Bermondsey	Invoice £12 10*s*. 9*d*.
	Jones, Alfred	Leeds	Complaint *re* delivery

The particulars recorded vary with different firms; sometimes all letters are numbered in rotation, and a column is provided to show to whom the letters were handed for attention. The student is referred to Chap. VI. p. 102, for the routine actually followed in a well-known manufacturing firm.

Copying Letters. An exact copy of all outward correspondence must be made prior to its despatch. This is necessary in order that full particulars of everything that has been said and done by the firm may at all times be accessible. The student will see later that a letter may form part of a written contract, and if a written contract is disputed the issue is decided by the terms of the letters or other documents embodying the contract. It is highly important therefore, that all letters should be copied.

Letters may be copied in one of three ways, by:

(1) The Copying Press; (2) Carbon Paper; (3) the Rotary Copier.

The Copying Press. This is the oldest method of copying letters, and compares unfavourably with Carbon or Rotary copying in that it is (*a*) more expensive, (*b*) less expeditious, (*c*) insanitary, and (*d*) offers less facility for reference. A copying outfit consists of (1) A Letter Book, composed of 250, 500, or 1000 tissue or buff porous leaves, numbered in rotation, and strongly bound, with an alphabetical index at the beginning of the book; (2) Oil Sheets; (3) Drying Sheets; (4) Water Well; (5) Damping Brush; (6) Copying Press.

To Copy a Hand-written Letter. An oil sheet is placed on the back of the last used leaf of the letter book, and the leaf following, on which the letter is to be copied, is turned on to the oil sheet. The brush, previously wetted in the water well, is then drawn lightly across the tissue leaf—care being taken to leave a dry space at the numbered corner and along the whole length of the inner bound edge of the leaf—a drying sheet is placed over the wet surface, and over the drying sheet another oil sheet. The book is then closed and placed in the press (the back of the book is kept just outside the iron plates of the press to prevent injury to the binding), and the whole pressed sufficiently for the drying sheet to absorb the superfluous moisture. The book is then taken from the press, the drying sheet removed, and the letter, *which must be written in copying-ink,* is placed face downwards on the back of the damp leaf. The whole is then pressed for a few seconds, and when the letter is removed from the book a clear facsimile copy will be found on the damp leaf. The oil sheets should be left in the letter book to keep the still damp leaf from contact with the other dry leaves, and care must be taken to have the tissue or buff leaf of the right degree of dampness. If too wet both the letter and the copy will be blurred; if too dry the copy will be faint and difficult to read.

To Copy a Typed Letter. When copying a typed letter, which must be typed with a copying-ink ribbon or pad, the damping brush is discarded in favour of a *Copying Bath,* which consists of a tin tray containing a number of damp linen or rubber sheets. One of these damp sheets is placed upon an oil sheet, and the leaf of the letter book is allowed to fall on the damp surface. The letter to be copied is then placed face downwards on the back of the tissue leaf, and an oil sheet placed on the back of the letter, and the whole pressed as before for about two minutes. A typed letter requires longer and firmer pressure than a hand-written letter, as the ink is not so readily given off from a typed as from a hand-written letter.

Loose Press Copies. Sometimes a loose press copy of a letter is required in addition to the copy for office reference. This is obtained by placing a loose tissue or buff sheet similar to the leaves of the letter book in front of the leaf of the letter book on which the letter is to be copied, so that the loose leaf receives the second impression—not the first. The procedure in this case is the same, except that greater moisture and pressure are required. Letters written in copying ink will easily give three or even four copies; but typed letters cannot be relied upon for so many.

Carbon Copying. This is a more modern method of copying letters than press copying. It is quicker, cleaner, and less expensive than press copying, permits a large number of copies to be made, and affords easier reference, as the copy, being loose, can be filed with the letter to which it is a reply. It is particularly useful where a copy of the same document has to be sent to a number of different people—seven good copies being attainable at one operation. Compared with rotary and press copying, it has one great disadvantage, viz. that the copy, unlike the original, does not bear the signature of the person responsible for the letter; nor does it show any corrections that may have been made in the original, unless, of course, the corrections have also been made in the copy. From a legal point of view, carbon copies of letters are not satisfactory evidence, and firms who duplicate their outward letters in this way also copy them. The process is very simple. The typist places a thin sheet of paper behind the letter heading on which the letter is to be typed, and between the two a sheet of blue or black carbon paper. The whole is then inserted in the machine, and the letter is typed in the ordinary way. The impact of the type bars is felt by the carbon behind the letter heading, and an exact duplicate of the letter is produced upon the thin sheet.

Manifold Books. In many offices, both small and large—the practice prevailing to a considerable extent in wholesale drapery houses—letter and other documents, such as invoices, estimates, etc., are duplicated by means of Manifold Books. These books, varying in size, consist of printed and numbered note, invoice, or other headings—a separate book for each class of document—perforated along the inner bound edge so as to be easily detached, and interleaved with undetachable thin leaves, each being numbered the same as the detachable form immediately before it. A tin plate is placed underneath the undetachable leaf to form a hard writing surface, and a sheet of carbon paper inserted between the detachable and the fixed leaves. The letter or invoice is written with a hard pencil, stylographic pen, or agate stylus, and afterwards torn from the book, leaving the facsimile copy for reference purposes. As each book is used up it is numbered in rotation, and dated and placed in order upon shelves or in cabinets.

Rotary Copying. This is the most modern and the most effective of the copying methods. The cumbersome apparatus necessary for press copying is entirely dispensed with, its place being taken by a compact machine. The paper on which the letters are copied is especially prepared—no water or drying sheets being required—and done up in rolls. The roll of paper is fitted into the machine, and the letters to be copied are fed into the machine by turning a handle. As the letters are copied they are returned at the foot of the machine to the operator, the copies being stored in a roll and afterwards cut off by a lever-knife fitted to the machine—the knife cutting as many as seventy sheets at once. Ten copies can be taken from the same document, and some models are fitted with an expanding wind-up roller, which can be adjusted to cut any size, so that anything from a postcard to foolscap or larger can be copied in the same machine.

Indexing the Letter Book. To facilitate reference, all the letters copied in the letter book are indexed. The indexing may be done (1) in the letter book itself, or (2) by a card index.

Indexing in the Letter Book. In this case the alphabetical index at the beginning of the book is used, the entry consisting of the name of the correspondent and the number of the leaf on which the letter is copied. Assume that letters have been written or typed to the following correspondents:

> *Mr. Walter Wynne, Messrs. James Stewart and Brown, Armitage Robinson, Esq., Dr. Howard Williams, Sir James Crichton-Browne, Bart., the Right Hon. H. H. Asquith, M.P., the President of the Local Government Board, Messrs. Byrne Bros. and Co., F. Spenlove-Spenlove, Esq., Miss Marjorie Bowen, Messrs. E. Rice and Co., Mrs. Ridler, Messrs. Rickett, Smith and Co., Messrs. Spillers and James, Ltd., the General Manager, Great Western Railway Co., the Eureka Trading Co.*

The record in the index, under the appropriate initial letter, will appear as follows:

Asquith, Right Hon. H. H.	12, 18, 56[*]
Byrne Bros. and Co.	13, 20
Bowen, Miss M.	14
Crichton-Browne, Sir J.	15

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[*] The references will, of course, be the actual pages on which the letters to these correspondents are copied.

Eureka Trading Co.	16, 21
Great Western Railway Co.	17
Local Government Board	19
Robinson, Armitage	22, 43
Rice, E., and Co.	23, 85, 96
Ridler, Mrs.	24
Rickett, Smith and Co.	25
Stewart and Brown	26, 31, 34, 60, 68, 79
Spenlove-Spenlove, F.	27
Spillers and James, Ltd.	28, 92
Wynne, W.	29, 83, 86
Williams, Dr. Howard	30

As the letters are recorded in the index a small tick or other mark in blue pencil should be made close to the number at the top of the page to show that it has been indexed. It will be noticed that the letters to Stewart and Brown are somewhat numerous, and if a particular letter were required, the date of which was not known, it would necessitate turning up the index entries in order before it could be discovered. To obviate, to some extent, such a loss of time, each letter to a particular correspondent is cross-referenced to the letters to that correspondent preceding and following it. This cross-referencing is in the form of a fraction, which, to be conspicuous, is usually written in large but neat figures with a blue or other coloured pencil. The cross-referencing on Stewart and Brown's letters would appear as follows :

Leaves on which the letters are copied	26	31	34	60	68	79
		26	31	34	60	68
Cross-references	—	—	—	—	—	
	31	34	60	68	79	

The blank in the last cross-reference would be filled in when the next letter to Stewart and Brown was copied and indexed ; the blank in the first cross-reference would remain blank, unless letters to Stewart and Brown had been copied in a previous book, and then the reference would be to that book.

The index above described is of the simplest possible kind, the names being entered in accordance with the initial letter, all names beginning with A under A, all beginning with B under B. It will be readily seen, however, that if the entries in a particular index numbered many thousands, instead of something less than a thousand (the maximum capacity of the ordinary letter book), further subdivision would be necessary. Accordingly we find that in the case of directories, dictionaries, and other large indexes the entries under A proceed in the order Aa, Ab, Ac, etc., Aaa, Aab, Aac, etc., and so on throughout for each letter of the alphabet. Thus the word *Academician* would precede the word *Academy*, and in this instance the order of entry is arranged to the seventh letter. Another system of indexing, mostly used in Government offices, is known as the *Vowel System*. Each letter of the alphabet is divided into six divisions, and entry is made in any one of the six divisions according as the first vowel after the initial letter of the word indexed is *a*, *e*, *i*, *o*, *u*, or the letter *y*, which has the force of a vowel. Thus, instead of one division to the initial letter A, there would be six :

Aa	Ae	Ai	Ao	Au	Ay
Abr*a*hams	Allpr*e*ss	Atk*i*ns	Ant*o*ny	A*u*monier	A*y*scough

and so on for the other initial letters :

Ba	Be	Bi	Bo	Bu	By
B*a*rrett	B*e*rtram	B*i*nyon	B*o*rrow	B*u*lmore	B*y*wood

It will be observed that the first *vowel* is not always the second *letter*. The entries in each division are of course arranged in strict alphabetical order as explained above.

Card Index. This is a better system than that of the index in the letter book, for if the separate cards are sufficiently large one card will provide an index to a dozen letter books. The card may also serve other purposes. It may not only be an index to the letter book—*i.e.* the outward letters—but to the letters, inquiries, etc., received, give the full address and other particulars of a firm, the folio in the ledger on which their account is kept, and the number of the folder in which their correspondence is filed for reference. Further, such an index is capable of indefinite expansion, and as firms drop away their cards can be removed and their places given to fresh cards recording particulars of new customers. A card index may consist of a single drawer of cards or a number of drawers, and the cards can be ruled for any set of particulars as required. The cards may either be loose in the drawers and kept in their place by an adjustable block, or threaded on a rod which passes through the drawer. They may be arranged (1) numerically, (2) alphabetically, (3) geographically according to countries, districts, counties, or towns. Whatever classification is adopted, reference to the cards is further facilitated by guide cards, which project above the ordinary index cards. A card index can be seen at any public library.

General Hints: the Care of the Letter Book. 1. Never tear spoiled leaves from the letter book, but cancel them with blue pencil, giving the reference to the unspoiled copy.

2. Repair torn leaves with gummed paper.

3. See that all the leaves are kept perfectly flat. Sometimes a letter book is closed hurriedly, and the leaves get crumpled, particularly the top corners of the leaves where the numbering is. All crumpled leaves must be straightened out, or facility of reference will be much impaired.

4. The leaves of a letter book are only numbered on one side. See that all letters are copied on the back of the leaf, so that the letters are always read on that side of the leaf on which the numbering is.

TEST PAPER I

1. How is the position of junior clerk usually obtained ?

2. Frame an advertisement such as a merchant requiring a junior clerk would be likely to insert in a newspaper.

3. What precautions would you take when replying to an advertisement for a junior clerk ?

4. Reply to the following:

> Junior clerk wanted for engineer's cost office. Must be quick and accurate and with some little experience.—Address A. B., Box 254, *Manchester Guardian* Office.

5. Albert Toogood's letter (*see* p. 9) is described as "impolite, illiterate, and immodest." Criticise the letter from these three points of view.

6. How is the inward correspondence recorded ? What purpose does the record serve ?

7. Why must all outward letters be copied ? Which is the best method of copying letters, and why ?

8. Describe the method of copying a letter by the copying press, the carbon process, and the rotary process.

9. In what particular is the carbon process less effective than the copying press ?

10. Describe the methods of indexing a letter book.

11. Write a short essay on "Punctuality is the Soul of Business." (*N.U.T.*)

12. Reply to the following advertisement: "Junior clerk wanted. Must be good at figures, good writer and have a knowledge of shorthand. State age, wages and reference. Address A 195, *Birmingham Daily Post.*" (*Midland Counties Union.*)

13. Letters have been sent to the following correspondents: Messrs. Arthur Tooth and Sons; Messrs. Wood, Son and Co.; the Rev. Gunion Rutherford; the Assistant Secretary, London and Provincial Exchange; Mrs. Emily Radford; the Rix Smelting Co.; Dr. John Abbott; the Head Master, St. John's College, Leatherhead; John Powis-Foote, Esq. Messrs. Edward Gray and Fitch; Messrs. Anthony Schröder and Son; Messrs. Speller and Bakers, Ltd.; Messrs. J. Lyons and Co., Ltd.; the Grafton Fur Co. Index them alphabetically as you would in a letter book index.

14. Index the following on the vowel system: Messrs. Byward Bros. and Ward; Messrs. Bertrams, Ltd.; Messrs. Babcock and Wilkins; Messrs. E. Batger and Co.; Mr. A. J. Baldwin; Mr. C. Bannister; Messrs. E. Benetfink and Co.; Messrs. Bell and Bradfute; C. J. Buvington, Esq.; Messrs. Charles Bembrose and Co.; Mr. John Bretts; Messrs. Biddulph, Son and Sharman; Messrs. Bingley and Follitt; Messrs. Edward Binks and Son; Lieut.-General Sir Bindon Blood; Mr. John Birdsall; Messrs. Bidewell Bros.; J. A. Boddy, Esq.; the Bollo Hand Laundries, Ltd.; the Bude Trading Co.; Messrs. Barclay and Co., Ltd.; Messrs. Byles and Roden; Mr. John Biden; the General Manager, Brennan Explosives Co., Ltd.; the Bultfontein Mining Co., Ltd.; the Bonanza Exploration Co.; Messrs. J. H. Barraclough and Sons.

15. Rule a form of inward correspondence book, and enter six communications.

16. In what ink must a letter be (*a*) written or (*b*) typed in order to be press copied?

17. How are carbon copies of letters obtained?

18. What is a manifold book? Describe the process of manifolding as used in a wholesale drapery house.

19. Mention a few points which the junior should observe in his care of the letter book.

20. What is a card index? Describe its advantages over other indexes.

21. Describe cross-referencing as applied to the letter-book and illustrate your description by an example.

22. Make a vowel index for the following: The Effra Paper Mills, Ltd.; Mr. James Elkington; Lt. Genl. Ewart; Messrs. Empson & Dudley; Messrs. Entwistle Bros.; Mr. B. Ewins; Mr. R. Engelbach; The Secretary, Empire Trading Co., Ltd.; Mr. G. Egton; Mr. Justice Eve; Mr. Seth Enoch; The Erasmic Soap Co.; The Publisher, *Eatanswill Gazette*; Dr. Edenbridge; Messrs. Eckroyd & Ampthill; Esmond's Dry-Cleaning Co., Ltd.; Messrs. Eggers & Co.; The General Manager, Ellangowan Spinning Co., Ltd.; Mr. Thomas Esson; Prof. Euler; Mr. Walter Emmanuel; George Eliot; The Rt. Hon. Lord Ebury; Miss Eyton; Mrs. Ebbsmith; Messrs. Erdmann & Schwann; Sir James Etty, Bt.; The Etruria Pottery Co., Ltd.; Messrs. Ennever Bros.; The Economic Furnishing Co., Ltd.; The Ensign Advertising Co., Ltd.; Col. Sir Robert Eames; The Ellerman S.S. Lines, Ltd.; Miss May Edmundsen.

CHAPTER II

FILING CORRESPONDENCE AND MULTIPLYING COMMERCIAL PAPERS

Filing Correspondence. The necessity for preserving a copy of all *outward* correspondence in a manner affording the utmost facility of reference has already been emphasised. A similar necessity exists for preserving all *inward* correspondence. A contract (*see* p. 131) is two-sided; it expresses a double set of obligations. On the one side, the obligations of the firm to its customer; on the other side, the obligations of the customer to the firm. The vast majority of contracts are, from their inception, written contracts. No careful business man trusts to verbal arrangements. But if a contract is provisionally made by word of mouth, it is, or should be, subsequently confirmed by both parties in writing. These points will be fully explained in Chap. VIII. The outward correspondence, then, expresses the firm's obligations, the inward correspondence the customers'. Hence the best system of preserving correspondence is one that brings both outward and inward correspondence together—*i.e.* one where the answer to a letter is filed with the letter to which it is an answer. The system of *Filing* fully provides for this juxtaposition, but as many firms still adopt the older method of *Docketing*, this also must be mentioned. There are, then, two systems of preserving commercial papers:

(1) Docketing; (2) Filing, divided into (*a*) Flat, (*b*) Vertical filing.

Docketing. This method, notwithstanding its antiquity, is still widely used, especially in professional and the smaller commercial offices. Assuming that letters, invoices, and paid statements are all treated in this way, two or three nests of pigeon-holes will be required—one nest of twenty-four for the letters, and either one set for invoices and paid statements combined, or one set for each. The letter is folded in the direction of its length, to open from right to left, once for 8vo, twice for 4to and three times for foolscap size, so as to reduce all to a common dimension of width. On the outside at the top are neatly written (1) the name of the correspondent ; (2) the town ; (3) the date, with (though this is frequently omitted) (4) the briefest possible note of its contents. *E.g.* :

Howard and Sons
London, 14 *Mar.*, 1935
Order

or

Adams and Hyslop
Leeds, 15/4/1935
re Damaged Goods

This is the docket. The docket on an invoice or paid statement is somewhat different ; *e.g.* :

Howard and Sons
London, 14/5/1935
£10 0 6

Invoice docket

Adams and Hyslop
Leeds
Jan.-June, 1935
£116 10 6

Paid statement docket

When the letters, etc., have all been docketed they are distributed amongst the pigeon-holes in their respective nests—A under A, B under B, etc. In cases where much correspondence passes to and fro, as, *e.g.*, between a firm and its traveller, a special pigeon-hole could be assigned for its reception. At stated periods, once a month if the correspondence is fairly heavy, but otherwise at longer intervals, the pigeon-holes are cleared and the letters, etc., sorted both alphabetically and in order of date, and then tied up into bundles between thin paper-covered boards or stout cards a little wider than the folded letters, etc., to prevent the string or tape from cutting their edges. The contents of each bundle are then clearly marked on the outside, and the bundles stored away in boxes, on the outside of which the contents are also indicated. This marking should be done in block letters —*i.e.* in letters of the same height and thickness ; *e.g.* :

LETTERS
A—L
Jan. to Mar.
1935

PAID
STATEMENTS
1935

INVOICES
Jan. to June
1935

The student will at first find this block lettering a little troublesome, but if he will devote an hour or two in odd moments to copying the following model he will soon gain proficiency :

A B C D E F G H I J K L M
N O P Q R S T U V W X Y Z
1 2 3 4 5 6 7 8 9 0

Filing : Flat System. This is a great advance upon docketing, as it not only permits much readier reference, but the outward correspondence, which has either been duplicated by the carbon process and then copied in the letter book, or copied on a rotary copier, can be filed with the inward correspondence to which it relates. This, it is true, could also be done in the case of docketing, if the outward letters were duplicated as well as copied, and the duplicates attached to the inward letters connected with them, but, as a rule, where the method of docketing is followed the outward letters are only copied in the letter book.

There are many makes of flat files, differing in detail but agreeing fairly in principle, and, though I have no intention of recommending any particular make, I will describe two—frequently found in offices—the *Pilot* and the *Shannon*, as typical of the whole, making incidental mention only of such files as *Box Files* and *Satchel Files*, which are little better than mere receptacles for papers.

The Pilot File. This file consists of a stout binding case, from the lower cover of which project two small hollow tubes about 3½ inches apart. The letters or other papers to be filed are punched with two circular holes, the same width apart as the hollow tubes, by means of a small machine made for the purpose, and threaded upon the hollow tubes. The file is then closed by a steel staple, the prongs of which fit into the hollow tubes. The papers are secured by a movable spring attached to the staple, which is pressed into position when the staple has been fitted into the tubes, and the whole is then further secured by a small catch which moves freely along the horizontal bar of the staple and fits into a metal slot permanently fastened to the back of the binding case. This file opens like a book, and the alphabetical divisions are indicated by stout manilla covers lettered on the outer edge like the index of a letter book or ledger. The letters are filed alphabetically, dictionary-wise (*see* p. 17), in order of date; *i.e.* the most recent letter sent to or received from a particular correspondent appears at the top of that person's correspondence. Letters can easily be referred to, added to, or removed from the file without disturbing the order of the papers. The number of files required varies with the size of the business. They can be used singly, one for the whole alphabet for letters, one for accounts, one for invoices, etc., or the alphabet can be divided between three, six, twelve, twenty, thirty, fifty, or more files. Files used singly would be quickly filled, but a series could be brought into service that would contain the whole correspondence, say for a period of twelve months. When the files are full the letters may be removed, tied up into bundles and labelled, but as the initial cost of these files is small they are, as a rule, merely numbered and dated, stored upon shelves or in cupboards, and a fresh set brought into use—each file of the new set being cross-referenced to the corresponding file of the old.

The Shannon File. This file consists of a cabinet of from four to sixty-four compartments, standing upon a strong base, which is used as a cupboard for storing old papers that have been removed from the file. Each compartment contains a file in the form of a drawer, which can be completely removed from the cabinet. The papers are punched and threaded upon two spikes projecting from the base of the file, the divisions of each file being indicated by manilla covers lettered on the outer edges as in the case of the Pilot. When the papers have been filed and the file is to be closed a stout cardboard cover hinged to an eyeletted metallic plate (so that it can be thrown back when reference is being made to the file) is threaded upon the spikes and a double arched spring fitted to the base of the file is pressed over the tops of the spikes. The drawer is then placed in the cabinet. A metallic frame is fitted to the front of each drawer, into which a card indicating the contents of the drawer is slipped. A filing cabinet of twenty-four drawers might be arranged as follows:

Letters { 1 drawer each for A, B, C, D, E, F, G, H, K, L, M, N, S, T.
Letters { 1 „ „ I & J, O & P, Q & R, U & V, W to Z.
1 „ „ Invoices, Statements, Travellers' Correspondence, Business Statistics, and Management.

When the file is full, or at stated periods, say, every twelve months, it is cleared, and the contents, just as they lie in the file, are removed to binding or transfer cases, as they are called. These transfer cases are then lettered, dated, and numbered, and placed in the cupboard on which the filing cabinet stands. Note of the transfer is made in the spaces provided for such notes on the cardboard cover inside each separate filing drawer. In this way a particular customer's correspondence can be traced from transfer case to transfer case over a period of years.

Upright Filing. This system marks a still further advance in the filing of commercial papers. A cabinet is used as in the case of the Shannon, but the drawers are much deeper, as the papers do not lie horizontally in them, but vertically. A stout manilla cover, termed a *folder*, is given to each customer. The back of the folder is a little higher than the front, so that the customer's name lettered upon it shows above the level of the front part of the folder and the papers enclosed in the folder. All the letters received from and the copies or carbons of letters sent to a particular correspondent are placed, in order of date, in that correspondent's folder. The folders may be arranged in the drawers alphabetically, geographically, or in any other convenient order (*see* p. 16), but they are more frequently numbered in rotation and arranged numerically. Where the numerical arrangement is followed a card index is used (*see* p. 17), and the index may be so arranged that the number given to a particular customer's folder is the number of the folio on which his account appears in the ledger. All filing cabinets can be, and usually are, fitted with locks, or roller shutters and locks, so that privacy is secured for the papers contained in them.

Points to Remember. Systems of filing depend for their efficacy upon the clerk in charge of them. A methodical clerk could do better with an old-fashioned system, such as docketing, than a careless and neglectful clerk would do with a thoroughly modern system, such as upright filing. Filing must be regularly and carefully done. On no account allow unfiled papers to accumulate. A task that is easy of accomplishment done daily becomes a burden if left for a week. Be particularly careful to make proper notes of all papers that have been removed from the file for reference, and see that they are duly returned to their places when done with.

MULTIPLYING COMMERCIAL PAPERS

Most businesses nowadays are built up by advertising. Some businesses of doubtful benefit to the public could not be carried on at all except by this means; but even where a business is in itself perfectly legitimate, and performs useful functions for the community, advertising in one or other of its many forms is indispensable. The word advertising does not exclusively mean advertising in the daily press, or advertising by means of posters upon hoardings. All methods of publicity, the purpose of which is to consolidate or extend the knowledge of a particular firm's manufactures or articles of trade, are included in the term. Thus *Circular Letters*, *Market Reports*, *Price Lists*, *Prices Current*, *Special Offers etc.*, are specialised advertisements. The medium for the dissemination of such advertisements, where delivery by hand is not adopted, is the halfpenny post. It is obvious that to multiply identically worded documents of this character by hand, or even several copies at a time by the use of carbons in connection with a typewriter, would be a tedious and costly process. Hence several methods have been adopted by which a single document can be quickly and cheaper multiplied to any extent desirable. These methods are: (1) Printing; (2) the Hectograph; (3) the Mimeograph; (4) the Rotary Multiplier.

Printing. Where very large numbers of a particular document are required, or where the document to be multiplied extends to several pages, the printing press is the cheapest and most effective means that can be employed. Its effectiveness is very much increased—though only at a greatly enhanced cost—if the services of the artist and the block-maker are enlisted to supplement the printer's skill. Fine half-tone illustrations or choice reproductions in two, three, or more colours have great "drawing" power, as the attention of most people is arrested far more by pictures than by print. Still, good letterpress is in itself a considerable attraction, and those who have seen specimens of the work of the historic printing houses of this country will know what charming effects can be obtained by the use of fine type well set and carefully imposed upon good paper. The only criticism that can be brought against the use of the printing press in this connection is its impersonal character. Everybody who receives a printed circular knows that he is one recipient amongst thousands, whereas one object of the advertiser—the person who sends out the printed thing—is to give each person to whom he sends it the impression that it is specially addressed to him. Hence methods have been devised in connection with the printing press by which a type- or hand-written circular is reproduced *in facsimile*; and these methods have been so perfected that the ordinary person must give more than a passing glance at circulars produced in this way in order to detect that they have been mechanically produced, and not separately done by pen or typewriter. This difficulty of detection is further accentuated by afterwards inserting the names and addresses of the different people to whom the circulars are sent, to look as though the whole thing had been done by a continuous operation.

The Hectograph. This is an old-fashioned method which, from the point of view of effectiveness, is least to be recommended. The apparatus consists of a metal tray, a tin of gelatine, and a bottle of hectograph ink. The gelatine, melted by putting the tin into boiling water, is poured into the tray and allowed to cool off into a solid mass with a firm and smooth surface. The circular, written or typed, in the special hectograph ink, upon non-absorbent paper, and unblotted, is placed face downwards on, and pressed upon, the surface of the gelatine. The gelatine absorbs the ink, and when the original is removed and a sheet of paper is placed on and pressed upon the gelatine, either by hand or a roller, a facsimile copy is given off. Care must be observed when taking the impressions not to leave the paper on the gelatine for too long a time. When sufficient copies have been obtained the ink should immediately be washed off the surface of the gelatine with a sponge and warm water. To ensure clean and legible copies the gelatine should be periodically remelted. From forty to sixty good copies can be obtained, but for a greater number the gelatine should be washed and the writing of a fresh original impressed upon it. The foregoing method of multiplication is used chiefly by secretaries of societies for informing members of meetings, etc., or by large firms for staff announcements.

The Mimeograph. This is a much more effective process than the hectograph, and is largely used by business houses for circularising customers, and for multiplying such things as market reports, etc., where the necessary information is frequently not to hand till an hour or so before the time for despatching the provincial and foreign mails. The machine consists of two parts : (1) a writing frame, and (2) a printing frame. The essential feature of the mimeograph is the *stencil.* A stencil may be (1) hand-made or (2) typed. If the stencil is to be hand-written a sheet of wax paper is stretched over the file-like surface of the writing frame and the matter to be reproduced is written upon the wax surface by means of a metal stylus. The stylus, travelling over the hard file-like surface on which the wax paper rests, cuts through and expels the wax, so that when the ink is applied to the surface it passes through the places scored by the pen and forms the letters and words on the paper placed beneath it. *When the stencil is to be typed* the ribbon or pad must be removed from the machine and the face of the type thoroughly cleaned. Then take the oiled tissue sheet, which acts as a protector to the wax sheet, and place it in front of the wax sheet; behind the wax sheet place the sheet of perforating silk, and behind that again the backing sheet, fold the sides and top of the tissue and wax sheets over the backing sheet, and then place the whole into the machine—tissue sheet toward you—and type the matter to be reproduced as you would an ordinary letter.

The stencil—either hand- or type-written—having been obtained, it is stretched and fastened into the printing frame of the machine. A sheet of paper is placed under it, the frame holding the stencil is then brought down upon the surface of the paper, resting upon the bed of the machine, and when an inked roller is played over the surface of the stencil and the frame is raised an exact facsimile will be found upon the paper. The sheet is then taken out, a fresh one inserted, and the process repeated till a sufficient number of copies have been obtained. Before printing, the stencil should be well inked and trial impressions taken till the impressions is found to be perfectly uniform in outline. The work of printing is much facilitated if the printing machine is fitted with a self-lifting frame. A large number of sheets of paper can then be placed in position in the machine at once, and removed one at a time, as the frame lifts after each passing of the roller over the stencil. Before despatching circulars, etc., produced in this way time should be given them to dry. The drying is done either by placing the circulars between tissue leaves bound in book form, or sheets of blotting paper similarly bound. Frequently, when this method of multiplying documents is adopted, the circulars are afterwards placed in the typewriter and the names and addresses of the persons to whom thay are to be sent are typed upon them in the same coloured ink as the body of the circular. Any number up to 1000 copies can be obtained by this process from a single original.

Rotary Multiplier. This is a machine which may be worked either by hand or by a small electric motor. A stencil is made as already described, and placed over a linen ink-pad stretched upon the outer surface of a perforated cylinder supported by a metal framework. The pad is inked by a rubber roller resting in an ink reservoir suspended between the two sides of the frame work. By means of a lever the roller is brought into contact with the inside of the cylinder and supplies the necessary ink. The handle of the cylinder is rotated, and as the sheet of paper is fed into the machine it is gripped by a rubber roller, pressed against the stencil, carried round the revolving cylinder, and returned printed from the other side of the machine. From sixty to eighty copies of a circular can be produced per minute by hand, and over 100 per minute by motor, and some 5000 copies from a single original. The speed of the machine is very much accelerated in some models by an automatic arrangement for feeding the paper into the machine.

Listing, Calculating, and Adding Machines, etc. For several years past, inventors have been busy producing machines for lessening the routine work of an office. The most useful of these appliances are the listing, calculating, adding, posting, sorting, envelope franking, tabulating, combined typewriting and tabulating, and book-typewriting machines of various makes. To describe these machines in detail would be to occupy space that can be more profitably devoted to the main purpose of this work. When the student gets into an office, a few minutes' use of these various machines will do him more practical good than the reading of pages of description.

Cheque Protection Devices. These machines, the use of which is on the increase, stamp the crossing and the amount of the cheque, crushing the words and lines into the fibre of the paper in a way that affords absolute protection against fraudulent alteration.

TEST PAPER II

1. Mention the different methods of preserving commercial papers.
2. Which system of filing would you recommend, and why ?
3. Give specimen dockets for the following : Invoice, Paid Statement, Letter.
4. Write the word *Estimates* in block letters, and show how you would label a bundle of paid accounts which had been rendered between the dates January 1 and March 31.
5. Describe a system of filing you would recommend for introduction into a large office.
6. Scheme out the way you would divide up a Shannon file of thirty-six compartments.
7. In what order may letters be arranged in a filing cabinet ?
8. Mention a few points that should be observed in connection with the care of the letter book.
9. What is a Folder ? What is a Transfer Case, and what method is adopted for tracking correspondence that has been removed to transfer cases ?
10. Mention the ways in which commercial papers are multiplied.
11. When would you recommend the use of the printing press for the multiplication of papers ? If the printing press has any drawback in this connection, what is it ?
12. What part does advertising play in modern business ? Would you call a price-list an advertisement ? If so, why ?
13. Whether is the Hectograph or the Mimeograph the better multiplier. Describe the Mimeograph machine and the way you would use it.
14. How is the impersonal character of the work done by the printing machine sometimes overcome ?

15. On what do all systems of filing depend for their success ?

16. " A contract is two-sided." Amplify this statement, and show how it should determine the filing method adopted.

17. Show how the following would be indexed in the letter-book : The Rt. Revnd. the Bishop of Wells ; Admiral Lord Walter Kerr ; General Kelly-Kenny ; Messrs. Arthur Tooth & Sons ; The Secretary, Madresfield Agricultural Society ; The Co-operative Wholesale Society, Ltd. ; Mr. J. Cornford Cope ; Messrs. C. M. Crompton Sons & Co. ; Bovril, Ltd. ; The Saxe Trading Co. ; Price's Patent Candle Co., Ltd. ; Chief Accountant, Bank of England ; The Lamson-Paragon Supply Co., Ltd. ; The Editor, *Daily Telegraph* ; Mr. C. E. Martin-Edwards ; The President, Local Government Board ; Messrs. Horsfield Sons & Mackrell Bros., Ltd. ; Messrs. Chas. Scribner's Sons ; Dr. W. Pitt-Payne ; Mr. Justice Scrutton ; The Rt. Hon. the Earl of Rosebery, K.G.

18. Take the first opportunity to inspect a filing cabinet and a nest of pigeon holes, and then make a rough drawing of both from memory.

19. Reply to the following advertisement : " Junior Clerk required in the counting house of a large firm of Wholesale Druggists. Preference will be given to applicants having practical experience of counting house work. Apply stating age, salary required, and full particulars to Box 6978, *Daily Telegraph*."

20. Write a letter to an imaginary friend instructing him how he should answer advertisements for situations.

21. Suppose you wanted a loose press copy of a letter how would you obtain it ?

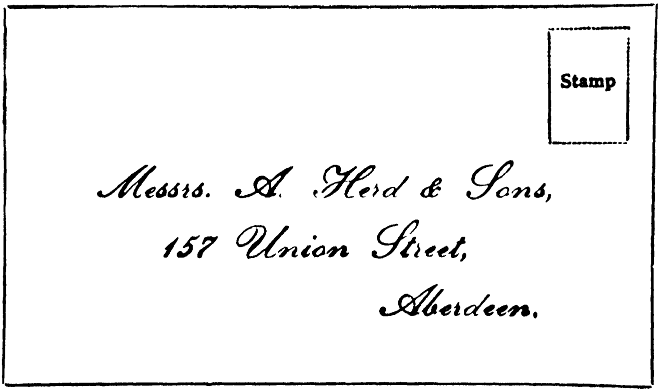
22. Write a brief essay on the subject of " Preparation for Business Life."

CHAPTER III

ADDRESSING ENVELOPES; MAKING UP, RECORDING AND DESPATCHING LETTERS, PARCELS AND TELEGRAMS; THE TELEPHONE

AFTER the junior has copied the outward correspondence it is usually his duty to stamp and post the letters, and not infrequently to perform the prior operations of addressing the envelopes and making up the letters.

Addressing Envelopes. Few things are more annoying to business men than letters returned undelivered through being incorrectly or insufficiently addressed, or, as is sometimes the case, through not being addressed at all. Envelopes must be plainly and boldly written, the size of the writing, of course, being proportioned to the size of the envelope. In addition the words and abbreviations should be properly punctuated, and the lines accurately spaced, indented, and cut off by commas. *E.g.:*



Stamp

Messrs. A. Herd & Sons,
157 Union Street,
Aberdeen.

James Randall Paterson, Esq.,
13 *Brocklesby Chambers,*
Victoria Street,
Westminster,
S.W. 1.

Messrs. Woodland and Harper, Ltd.;
Woollen Manufacturers,
18–20 *Queen Street,*
Bradford,
Yorks.

An alternative method, imported from the United States, is the block form:

James Randall Paterson, Esq.,
13 *Brocklesby Chambers,*
Victoria Street,
Westminster, S.W. 1.

This method is only applicable where the name and address on the envelope are typewritten.

Note. When addressing envelopes from one part of London to another it is not necessary to add the word "London" to the address, the name of the street or road, together with the Post Office district, being usually sufficient, as, e.g., 28 *Essex Road, N.* 1; 8 *Newgate Street, E.C.* 1. Where there are several streets of the same name it is better to be more explicit, as, e.g., 8 *John Street, Adelphi, W.C.* 2; 8 *John Street, Bedford Row, W.C.*1. Correspondents in the City of London are simply addressed to the name and number of the street or road, with the P.O. district added; e.g. 17 *Queen Victoria Street, E.C.* 4; unless, of course, the letter is sent from a provincial city or town, when the word "London" should also be added. In the case of large provincial cities, such as Liverpool, Manchester, &c., it is advisable to add, where known, the postal district to the name of the city. Different towns which have the same name, e.g. *Bradford, Newport,* &c., should have the name of the county appended. Letters addressed to the United States (U.S.) should bear the name of the State as well as that of the town. A full list of the customary abbreviated forms will be found in the List of Abbreviations (pp. 563–570).

Modes of Address. A tradesman should be addressed as, *e.g.*,

Mr. James Henderson,
Draper,
115 *High Street,*
Godalming,
Surrey.

A firm as, *e.g.*;

Messrs. Joseph Parker and Sons,
Woollen Manufacturers,
42–48 *Darley Street,*
Dewsbury,
Yorks.

A Limited Company as, *e.g.*,

Messrs. J. and P. Coats, Ltd.,
Paisley,
Scotland.

Note. "Messrs." should never, however, be written before the name of a Company trading under an impersonal title; e.g. *The Vulcan Iron Co., The Grosvenor Press, Ltd.* Firms of lady milliners and dressmakers prefer, as a rule, to be addressed in the French style, as, e.g., *Madame Rayner,* or *Mlle. Rayner, Mesdames Smith and Willoughby,* instead of *Mrs. Rayner, Miss Rayner,* or *The Misses Smith and Willoughby.*

A private gentleman or graduate of a university should be addressed as, *e.g.*,

Arthur Winterburn, Esq.,
Old Hall,
Manningtree,
Essex.

or

Charles Capper, Esq., M.A., LL.D.,
Balliol College,
Oxford.

A professional man as, *e.g.*,

Dr. Robert Montgomery, or *Robert Montgomery, Esq., M.D.,*

or

Professor Scott-Elliott,
The Newton,
Maxwelltown,
Dumfries.

A clergyman as, *e.g.*,

The Rev. W. Parkinson, M.A.; The Venerable the Archdeacon of London; The Very Rev. the Dean of Ripon; The Right Rev. the Lord Bishop of Durham; His Grace the Archbishop of Canterbury; His Eminence Cardinal Gasquet.

A knight as, *e.g.*,

Sir Richard Scourfield (sometimes *Kt.* is added).

If possessed of any order this also should be added, as, *e.g.*.

Sir Richard Scourfield, K.C.B., K.C.M.G.

A baronet as, *e.g.*,

Sir James Abercromby, Bart.,

and the orders (if any) after *Bart.*

Members of the peerage are addressed as follows:—

A duke as *His Grace*, e.g.,
His Grace the Duke of Portland;

a marquis as *Most Hon.*, e.g.,
The Most Hon. the Marquis of Salisbury;

and other peers as *Right Hon.*, e.g.,
The Right Hon. Lord Glenconner.

A French tradesman should be addressed as, *e.g.*,

Monsieur or *M. Edouard Richet,*
10 *Rue du Sentier,*
Paris,
France.

A French firm as:

Messieurs or *MM. Henri Rochefort et Cie,*
24 *Rue de la Charité,*
Lyons,
France.

A French limited company as:

La Société Anonyme Internationale de Transporte,
9 *bis, Quai du Canal,*
Marseilles,
France.

A German tradesman as:

Herrn (or *Firma*) *Max Weyland,*
13 *Mittelstrasse,*
Hamburg,
Germany.

A German firm as, *e.g.*,

Herren (or *Firma*) *Hollander und Schmitt,*
17 *Obernstrasse,*
Bremen,
Germany.

Note. "Herrn" is the dative singular of "Herr," "Herren" the dative plural; so that "Herrn Max Weyland" and "Herren Hollander und Schmitt" equal respectively "To Mr. Max Weyland" and "To Messrs. Hollander and Schmitt."

A German private limited company is addressed as, *e.g.*,

Löbl. Stuhr'sche Buchhandlung u. Kunsthandlung G.M.B.H.,
17–18 *Unter den Linden*,
Berlin,
Germany.

Note. "Löbl." is a contraction for *Löblichen = to the worthy*; but this courtesy is not now much used. The bald word "*Firma*" = *Firm is more* common. "*Stuhr'sche*" = *Stuhr's*. The letters "G.M.B.H." stand for *Gesellschaft mit beschränkter Haftung = Partnership* (*or Company*) *with limited liability*. Thus in English the direction would read: *To the worthy Stuhr's Bookselling and Art-selling Partnership, Ltd.* A limited company issuing share certificates would be addressed as, *e.g.*,

Firma:
Titania–Werke A–G.

the abbreviation *A-G* standing for *Actien-Gesellschaft=Share-Company*, or, as we say, limited liability company.

An Italian tradesman as, *e.g.*,

Signor A. Hoepli,
12–16 *Galleria de Cristoforis*,
Milan,
Italy.

An Italian firm as, *e.g.*,

Spett. Ditta Bocca Fratelli,
94 *Piazza S. Claudio*,
Rome,
Italy.

Note. Spett. Ditta = Spettabile Ditta (eminent commercial house).

An Italian limited company as, *e.g.*,

Spett. Società Anonima Tensi,
14 *Via S. Paolo*,
Milan,
Italy.

A Spanish tradesman as, *e.g.*,

Sr. Don Miguel Ramires,
25 *Alcala*,
Madrid,
Spain.

A Spanish firm as, *e.g.*,

Sres. Arturo Beyer y Cia,
5 *Rambla de Cataluna*,
Barcelona,
Spain.

Note. Sr. = Señor; Sres. = Señores.

A Spanish limited company as, *e.g.*,

La Compañia Anónima de Seguros Aurora,
14 *Gran Via,*
Bilbao,
Spain.

Note. The address reads: *The Company Anonymous of Insurers Aurora,* or, as we should say in English, *The Aurora Insurance* [*or Assurance*] *Company, Ltd.*

Generally speaking, correspondents in Latin countries and in Turkey and Greece may be addressed in the French styles, Scandinavian and Austrian correspondents in the German, Russian correspondents either in the French or German styles.

Making up Letters. The appearance of a letter may easily be quite spoiled by careless folding.

Commercial stationery is usually in one of four sizes:

(1) Folio (Fo.); (2) Quarto (4to); (3) Octavo (8vo); (4) Sixto (6to).

The actual dimensions of these sizes vary with the dimensions of the sheet of paper from which they are cut; but the most common are approximately as follows:

FOR LETTERS

Foolscap Folio (F'cap. Fo.)	12¾″ × 8″
Large Post Quarto (La. Post 4to). . . .	10″ × 8″
Post Quarto (Post 4to)	9″ × 7⅛″
Large Post Octavo (La. Post 8vo) . . .	8″ × 5″
Post Octavo (Post 8vo)	7⅛″ × 4½″

FOR INVOICES		FOR STATEMENTS	
F'cap. Fo. . . .	12¾″ × 8″	F'cap. Fo.	12¾″ × 8″
La. Post 8vo. . .	8″ × 5″	La. Post 4to . . .	10½″ × 8¼″
Post 8vo	7⅛″ × 4½″	Demy Sixto (Demy 6to)	7¾″ × 6⅛″

The envelopes to contain the above are as follows:

Foolscap Envelopes . .	10″ × 4⅜″	for F'cap. Fo.
Court	6⅜″ × 4⅝″ or 5⅝″ × 4⅜″	for La. Post 4to or La. Post 8vo
"	5¼″ × 4¼″	for Post 4to or Post 8vo

Instead of the square-shaped court envelopes, commercial envelopes, 6 ins. × 3¾ ins., may be used for La. Post 4to or La. Post 8vo, and a smaller commercial envelope, 5⅝ ins. × 3⅝ ins., for Post 4to, Post 8vo, or Demy 6to.

There are, of course, many other sizes of commercial stationery and envelopes, but the ones given are those in general use.

A *Foolscap letter* is folded into half, in the direction of its length, and then again into half, in the same direction, the sheet, if correctly folded, thus measuring $3\frac{3}{16}$ ins. × 8 ins.

A *Quarto letter* is folded into half in the direction of its length, thus converting it into an 8vo, and then again folded lengthwise into three equal divisions. *E.g.* La. Post 4to, 10 ins. × 8 ins., folded into half will measure 8 ins. × 5 ins.; this folded into three will measure 2⅔ ins. × 5 ins. This is the folding for the commercial envelope. If court envelopes are used the folding would be first into half, 8 ins. × 5 ins., then into half again, 5 ins. × 4 ins.

An *Octavo letter* is either folded into three as described above and put into a commercial envelope, or into half and put into a court envelope.

A *Demy Sixto* invoice is folded by first turning in about 1 in. in the direction of its length, which in this case is less than the breadth. Demy 6to = 6⅝ ins. long × 7¾ ins. broad. Turn in 1⅝ ins. of the length; you then get a sheet 5 ins. × 7¾ ins.—an octavo size, which is folded into three as already explained. Invoices should be sent by halfpenny post, the flap of the envelope not being gummed down, but turned into the envelope itself. The flaps of the envelopes used for invoices and circulars are not as a rule gummed.

Address Book.—It is customary in some offices to keep an address book, in which the names and addresses of all the firm's correspondents are recorded. The book is indexed throughout, and the names are entered under the proper initial letter. All changes in the address or style of a firm should be indicated in the address book immediately they become known. An address book is not necessary where a card index is kept on the alphabetical plan. But much time is saved if, as is usually done, the typist types the full address as well as the name and style of the firm on the letter itself. The envelopes can then be written from the letters.

The Addressograph. In large offices the junior may find installed a machine known as an Addressograph. Each customer's name and address is embossed upon separate metal plates, connected together into endless chains. These chains are fitted into the machine, and revolve round a drum worked by a treadle. The envelope or wrapper to be printed is placed upon the printing surface of the machine over the opening at which the embossed metal plates appear with each movement of the treadle, and the printing is effected by a hand-worked punch. The addressograph saves much time and labour when large numbers of envelopes or wrappers are to be addressed—*e.g.* at the time of rendering the monthly or quarterly statements of account, or when the firm's customers are being circularised—but its value is not so apparent in the case of ordinary office correspondence.

Enclosures. Before putting the letters into the envelopes the junior should see whether or not a letter refers to any enclosures, and take care that any such are included with the letter. Enclosures are usually indicated by the typist, who types at the head of the letter the word " Enclosures," or " Enclos.," with a figure representing the number of them. Some firms, however, have the word printed on their letter headings, and then only the number is inserted; others adopt the device of gumming on to the letter a small circular printed label, usually red in colour. It is quite possible that the typist may omit to indicate the fact of enclosures, and then both time and inconvenience will be saved by the intelligent junior who reads the letter and points out the omission to the clerk responsible.

Points to be Noted. (1) Be very careful to put letters in the right envelopes. I call to mind an instance where a clerk, left with little time in which to make up the letters for the American mail, had the misfortune, with results unpleasant both to his principals and himself, to mix up the invoices of two rival firms, so that each received the other's invoices. The goods were identical, but the prices differed! (2) Always post letters in time for the provincial mails. Should the ordinary posting time have passed see that the necessary late-fee postage is affixed and the letters are posted in the late-fee letter-boxes. The necessity for late-fee postage must never arise through the junior's own want of despatch.

Postage. The junior must be acquainted with the Postal Regulations relating to letters, postcards, printed papers and newspaper post, and he should, at this point, read carefully and memorise the important parts of " Post Office Information " (*see* Appendix) : dealing with: I. Inland Correspondence; II. Registration of Letters; III. Express Delivery Services; IV. Railway Letters; V. Late-fee Letters; VI. Private Boxes and Bags; VII. Redirection of Letters; VIII. Poste Restante; IX. and X. Return of Undelivered Letters and Prepayment of Postage; XI. Postcards; XII. Newspaper Post; XIII. Foreign and Colonial Correspondence; XIV. Registration of Foreign and Colonial Correspondence; XV. Postcards; XVI. Printed and Commercial Papers; XVII. Canadian Magazine Post; XVIII. Sample Post.

Hand Delivery. If a letter is to be delivered by hand the word "Hand" should be written in the top left-hand corner of the envelope, and if an immediate answer is required the words "Wait answer" should be added. In all cases of hand delivery the junior should, when giving the letter to the messenger, repeat verbally the instructions on the envelope.

Register of Outward Letters, Parcels, etc. When the junior has prepared all the letters, postal packets, etc., for the post he must enter them, with particulars of the postal charges incurred, in the *Post Book*. The ruling of the Post Book varies with different firms, but the following is a form in actual use:

POST BOOK

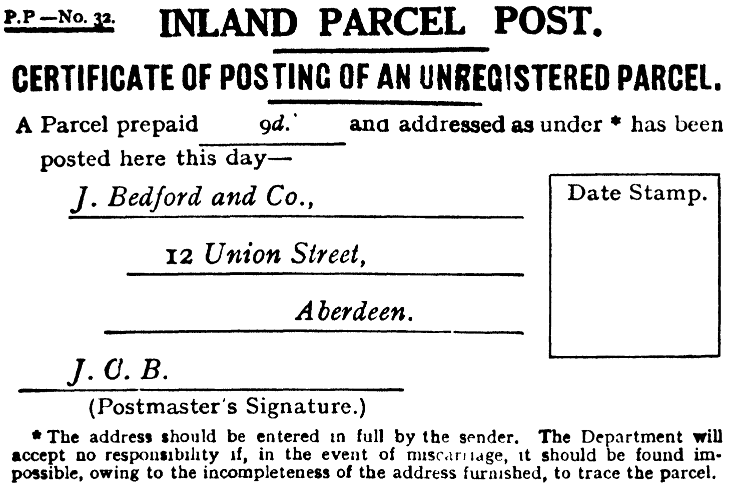
£	s.	d.	DATE	NAME	ADDRESS	£	s.	d.
3	2	6	1935 Jan. 15	Stamps in hand				
			" "	Broadbent, J.	Carlisle			1
				Whiteside and Sons	Sydney, N.S.W.			2
				Armitage and Ibbetson	Leeds			1½
				500 Circulars	Spring Novelties	1		10
				Perry, T.	Liverpool			1
				Boyveau and Chevillet	Paris			2½
				Langenscheidt and Söhne	Vienna			2½
				Ford, J.	Birmingham			7½

The student will see that the first column is used for entering the amount of the postage received from the cashier. He may receive the postage in stamps or money. In large firms where the postage bill is heavy, the stamps, to prevent pilfering, are perforated with the firm's initials. These perforated stamps are not bought direct from the Post Office, but from firms who undertake the perforating work. In such cases it is the junior's duty to go through his stock of stamps at the end of the week and hand to the cashier a requisition list for the following week's supply. The cashier draws a cheque for the amount requisitioned, and sends it with the order to the firm supplying the perforated stamps. The most convenient way of keeping stamps is in a satchel file, foolscap size, with separate divisions for each denomination of value, or in a guard-book similarly divided. The junior should see that he always keeps a sufficient stock of stamps in hand to meet probable requirements for several days ahead, and he should make it his practice to balance his post book every night before leaving. Every week at least he should hand his stock of stamps and post book to the cashier to be checked and initialled by him. It may happen that, despite care, stamps may be validly used and yet escape entry in the post book. Should the junior be unable to balance his post book at the end of the day he should at once endeavour to locate the discrepancy, and, if unsuccessful, should boldly enter the fact of the discrepancy in the post book and report it to the cashier. *Never from feelings of shame or fear attempt to make the book right.* The cashier will think all the better of you for reporting your failure, and the reflex effect of your action will go far to prevent future omissions.

Parcel Post Register. In addition to entering the postage expended on packets sent by parcel post in the post book, a receipt must be obtained from the Post Office for all such parcels. Where parcel post packets are few in number the receipts may be obtained on the official forms; but where many parcel post packets are sent out in the day it is customary to enter them in a special Parcel Post Book. The receiving clerk stamps the book with the P.O. dating stamp, adding in words the number of the packages, and his initials.

PARCEL POST REGISTER

DATE	NAME AND ADDRESS	POSTAGE			SIGNATURE
1935 Jan. 5	Fullalove and Sons, 15 High Street, Stamford			9	Two
	J. Bedford and Co., 12 Union Street, Aberdeen			9	C. F.



P.P.—No. 32.

INLAND PARCEL POST.

CERTIFICATE OF POSTING OF AN UNREGISTERED PARCEL.

A Parcel prepaid *9d.* and addressed as under * has been posted here this day—

J. Bedford and Co.,
12 Union Street,
Aberdeen.

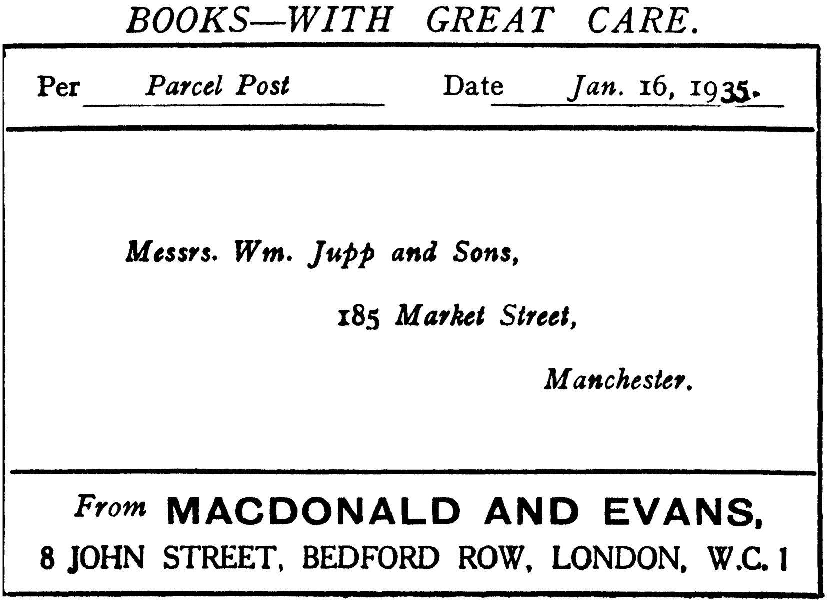
Date Stamp.

J. C. B.
(Postmaster's Signature.)

* The address should be entered in full by the sender. The Department will accept no responsibility if, in the event of miscarriage, it should be found impossible, owing to the incompleteness of the address furnished, to trace the parcel.

At this point the student should read and memorise the important parts of "Post Office Information" (*see* Appendix), dealing with Inland Parcel Post and Foreign and Colonial Parcel Post.

Addressing Parcels. The writing of labels for parcels is similar to the writing of envelopes, except that the labels are usually printed with spaces for the date and the method of despatch. The form shown below will serve for an illustration.



BOOKS—WITH GREAT CARE.

Per *Parcel Post* Date *Jan. 16, 1935.*

Messrs. Wm. Jupp and Sons,
185 Market Street,
Manchester.

From **MACDONALD AND EVANS,**
8 JOHN STREET, BEDFORD ROW, LONDON, W.C. 1

Despatching Telegrams and Cables. The junior is not charged with the writing of telegrams and cablegrams, but he is usually responsible for their despatch. It should be almost unnecessary to add that even though he is not instructed to that effect, all telegrams and cablegrams should be taken immediately to the post or cable company's office, and not be allowed to remain till the usual posting time comes round.

The Telephone. It is the work of the junior to receive and transmit telephone messages. The use of the telephone can only be properly demonstrated by an actual object-lesson. It is easy enough to understand, and no useful purpose is served by a verbal description. In small offices the junior must deliver the messages for whom they are intended and receive the replies in person, but in large offices, where officials are located on different floors, a system of inter-office telephones is usually installed. This enables the junior to connect the particular person with the caller. In large offices, too, the different departments of the same business house are connected, but this is done by arrangement with the Postmaster-General, quite independently of the Exchange. When answering a call the junior should write down on a printed telephone form, supplied

TELEPHONE MESSAGE.

Name and Address..

Message ....

....

Reply ....

....

Date..............................

Time.............................. ....*Operator* in pads—the separate forms being easily detachable—the date and time of the call, the name of the caller, and the message. The junior should then hand this filled-up form to the person concerned and receive the reply, which, if verbally given, should be transferred to the form, and then telephoned to the caller. These records of calls, like the outward letters and telegrams, should be preserved for future reference. Frequently, however, the reply to a call is of a lengthy character, and could only be given by the person concerned. In that case, and also in cases where inter-office telephones are in use, the person concerned should keep the record, as the record kept by the junior would not afford any particulars of the reply.

Should the telephone get out of order a *written* representation must be made without delay to the district manager. If, after two or three unsuccessful attempts, the junior should still fail to get connected with a subscriber, he should inform by telephone the operator at the Exchange, who will either effect the connection or explain why it cannot be got.

Calling out Numbers. A hint as to the correct way of calling out double or treble numbers may be useful. *E.g.:*

7720	should be rendered	*Double seven two o.*
2888	„ „ „	*Two eight double eight.*
4447	„ „ „	*Double four four seven.*
4662	„ „ „	*Four six six two.*

[N.B.—Where the double number comes between the tens and the hundreds do not say, *e.g.*, " double six," but " six six."]

Passing a Call. Before passing a call to the Exchange the telephone operator should wait until he hears the telephonist's " Number, please ? " and then, speaking *clearly and distinctly*, with the lips *almost touching the mouthpiece*, he should state the number required. *First* the name of the Exchange and *then* the number. It is important to remember that the distinctive sounds of consonants become blurred in the transmission of speech by telephone, and words containing the same vowels are apt to sound alike. Greater care is therefore necessary in speaking by telephone than is required in ordinary speech, if mistakes are to be avoided.

0 is pronounced as " OH," with long " O."
1 „ „ " WUN," emphasising the consonant " N."
2 „ „ " TOO," emphasising the consonant " T " and with long " OO."

3	is pronounced as	" THR-R-EE," with slightly rolling " R " and long " E."
4	,, ,,	" FOER," one syllable with long " O."
5	,, ,,	" FIVE," emphasising the consonants.
6	,, ,,	" SIX," with long " X."
7	,, ,,	" SEV-EN," two syllables.
8	,, ,,	" ATE," with long " A " and emphasising the consonant " T."
9	,, ,,	" NINE," one syllable with long " I " and emphasising the consonants " N."

Answering a Call. The call should be answered promptly. On taking off the receiver, the telephone operator should not say " Hullo! " or " Who's there? " but should immediately announce his name. Mr. Brown, at his office, would say: " Brown & Co., Mr. Thomas Brown speaking," his clerk: " Brown & Co."

The student is referred at this point to " Post Office Information " (*see* Appendix), dealing with Telephones.

Automatic Telephones. These are now installed at very nany exchanges. Full instructions for using the instrument are o be found on the receiver.

World-Wide Communications. The telephone now offers ommunication with all parts of the Continent of Europe, and vith Australia, Canada, India, New Zealand, South Africa, Rhodesia, the United States, the Argentine, Egypt, Palestine and many other distant countries. European charges are educed by 40 per cent. after 7 p.m., and there are half rates on Saturdays to Australia, India and South Africa. To make a call, obtain " Trunks " in the usual way and then give the country and the name and telephone number of the person equired—or the address if you do not know the number.

Test Paper III

1. Mention the points to be observed when addressing envelopes, and rite specimen envelopes to the following: Any firm of boot and shoe manufacturers; the general manager of any steamship company; the ecretary of any hospital; any draper; coal merchant; the head master f your school.

2. When may the word " London " be omitted from the envelope? What precaution should be taken when sending letters to a town whose ame is common to more than one?

3. When should the courtesy title "Messrs." be omitted? How would you address envelopes to the following: A doctor of medicine, a clerk in holy orders, a bishop, a knight, a baronet, a private gentleman?

4 What do the latters "G.M.B H." signify? Address envelopes to a French limited company, an Italian ditto, also to a French firm and a Spanish firm. Why, when speaking of a German gentleman, do you refer to him as Herr So-and-so, and when sending a letter to him address the envelope to Herrn So-and-so?

5. Mention the most usual sizes of commercial stationery.

6. What do the following abbreviations stand for: Fo., 4to, 8vo 6to, F'cap., La., enclos.?

7. How would you fold a F'cap. letter, and what size of envelope would you use? How would you fold a La. Post 4to letter for enclosure in a commercial envelope? How is demy 6to folded, and what is this size usually used for? How are invoices correctly sent out? Is the method different from sending out statements of account?

8. What is an address book used for? Describe one, and explain any better method that could be used for the same purpose as an address book.

9. Describe any method by which the work of addressing envelopes or wrappers for large numbers of circulars, statements of account, etc., may be facilitated.

10. How is the fact that a letter is to be accompanied by enclosures indicated, and what steps would you take to be sure that all enclosures were included in a letter?

11. Mention some points that the junior should carefully observe when making up letters.

12. What is meant by "inland correspondence," and what are the classes into which it is divided?

13. What is the rate of postage for inland letters, and what are the limits of size for inland letters?

14. Why must care be taken to stamp sufficiently all letters?

15. Mention the articles that may not be sent by letter post. Would you post a letter containing coin or jewellery in the ordinary way? If not, why not?

16. What is the object of registering letters? What is the fee for registration, and what the procedure when (1) making up, (2) posting a registered letter?

17. What compensation is paid for the loss of a registered letter? Supposing you wished to post a letter containing valuables worth £200, and to guard against loss to the full amount, what registration fee would you pay? What is the limit of compensation? Could you register a packet containing coin to cover a loss of £50?

18. Are any facilities provided by the P.O. for advising correspondents of the delivery of registered packets to the addressee?

19. Name the three ways in which delivery of letters by the P.O. may be expedited.

20. What do you understand by a railway letter? Address one to "The Editor, *Sheffield Daily Telegraph*, Sheffield," (*a*) to be called for, (*b*) to be posted on arrival at Sheffield.

21. What is the late-fee postage? Till what time of making up the provincial mail can a letter be posted and included in that mail? What extension of time for posting does the late fee afford?

22. What is the charge for a private letter-box and private bag?

23. What are the P.O. regulations governing the redirection of letters?

24. What is the meaning of Poste Restante, and for what purpose is this accommodation provided ?

25. Suppose you had, say, 5000 circulars or letters to be sent by post, how could you avoid the labour of stamping them, and what are the rules you would have to observe ?

26. How would you call out the following telephone numbers—7774, 4774, 1003, 3997 ?

TEST PAPER IV

1. State the limits of size of an inland postcard, and under what conditions is an undelivered postcard returned to the sender ?

2. What is the use of the printed papers post ? How can typewritten documents be sent by this post ? State what kind of written wording (with examples) is allowed on the documents sent by this post.

3. State the procedure necessary in sending an 8-lb. parcel by parcel post from Bradford to (*a*) London, (*b*) Jersey, (*c*) New Zealand, (*d*) Paris, (*e*) Hong-Kong, (*f*) U.S.A. Give in each case the cost and also the limits of size.

4. What are the methods of ensuring safe delivery of (*a*) an inland parcel, (*b*) a foreign parcel ? Is any compensation granted in the case of loss of (*a*) an unregistered inland parcel, (*b*) an insured foreign parcel ? State the limit of compensation in each case.

5. What do you understand by the Canadian magazine post ? State the conditions necessary for transmission and the limits of weight and size.

6. What kind of articles can be sent by sample post and what is the general limit of weight for (*a*) British possessions (*b*) foreign countries ? Are there any exceptions to these limits ?

7. Explain (*a*) an adhesive form, (*b*) a non-adhesive form used in connection with the parcel post.

8. State any special precautions necessary in sending parcels to (*a*) New Zealand (*b*) the United States, (*c*) Sweden. How would you address a parcel to Paris if you intended it should be called for ? Give a reason for your answer.

9. Describe briefly the methods by which the sender could pay the Customs duties on dutiable articles sent from the U.K. to the Colonies by parcel post.

10. What do you mean by preferential treatment ? Name the Colonies granting this treatment to goods of British origin. State the conditions necessary.

11. Is there any duty on advertising matter sent from the U.K. to the following places : (*a*) Johannesburg, (*b*) Hobart, (*c*) Melbourne, (*d*) Toronto, (*e*) Calcutta ? State the amount (if any) in each case, and point out any exceptions to the general rule.

12. Can you include any letters or invoices in a foreign or colonial parcel ? If so, what conditions are necessary in each case ? Can coin be sent by foreign parcel post, and if so, to what amount ?

13. State the conditions and charges (if any) of redirection of foreign parcels.

14. What is a parcel post register ? Rule a specimen page for one, and make six entries therein.

15. What is a postage book ? Rule a specimen page for one and enter the following : 1935, July 15, 50 Statements (Inland) ; 25 Invoices (Inland) ; Telegram to J. Whitehead, 1s. ; Parcel to John Brown &

Co., Leicester, 4 lbs.; Letters to the following: Ford & Co., Battersea, 2 ozs.; Duncan & Sons, Timaru, N.Z., 3 ozs.; Beijers & Zoon, Amsterdam, 2 ozs.; Arbuthnot & Co., Shanghai, 4 ozs.; Allenby & Co., New York, 2 ozs.; John Malcolm & Co., Glasgow, 10 ozs.; Wheeler & Co., Allahabad, 2½ ozs.; Kobe Canning Co., Kobe, Japan, 2 ozs.; Eggers & Co., Moscow, 2 ozs.; John Marples, Cape Town, 4 ozs.; Jardine & Co., Freetown, Sierra Leone 2 ozs.; Hammond & Co., Valparaiso, 2 ozs.; Dunn & Co., Melbourne, 2 ozs.; Coombes Bros., Perth, 2 ozs.; Allcock & Co., Dunedin, 2 ozs.

CHAPTER IV

THE COMPOSITION OF LETTERS AND TELEGRAMS

Letters. Anyone acquainted with ordinary business letters will agree that they frequently make very dull reading, and raise serious doubts whether the writers have any but the slenderest acquaintance with grammatical rules and composition. Many of them consist of a number of stereotyped sentences, in clipt commercial style, woven round the subject of correspondence, and though they may be correct after a fashion so far as the stereotyped forms can be made to serve, they are ungrammatical, confused, and unconvincing where the writer can no longer rely on his memory, but must draw upon his own intelligence and powers of expression. English is admittedly a difficult language, but it ought not to be beyond the power of anyone, possessed of "gumption" and a smattering of education, to write grammatically, and to express clearly what is intended to be expressed. Moreover, when you consider that the written word is often the only instrument by which a particular order is to be secured, a difficult point elucidated, or an angry customer mollified, it is obvious that every serious student of business should do all that lies in his power to make his letters correct in wording, in tone, and in form.

Now just as a student of literature moulds his style of composition and acquires freedom of expression by carefully reading and analysing the great masters of English prose, so a student of business may form an easy and correct style of business composition by reading and studying a good collection of commercial letters. I do not, of course, mean to suggest that this is all that is required. The student must have a good working knowledge of the ordinary rules of grammar. He must know the meaning of the words he uses, and possess the logical sense by which he is able to marshal his facts in correct order. But a careful and intelligent study of good models will undoubtedly prove a potent aid to the student in the formation of style, and, at the same time, familiarise him with a variety of commercial documents, and business terms and phrases, applicable to the different classes of undertakings into which the commerce of the country is divided.

For the purpose of demonstrating some of the points which distinguish a good from a bad business letter, I proceed to give three examples—answers to examination questions—to which I append brief notes by way of criticism :

EXAMPLE I

> *We beg to acknowledge yours of even date, but you do not state the signature of who received the goods, which we require for identification, and cannot give credit without we are sure they were returned and oblige*
>
> *Yours faithfully,*
> *p. JAMES SAUNDERS AND SONS,*
> *E. B.*

Notes. (*a*) Beyond the words "yours of even date," E. B. gives no clue to the subject-matter of the letter. He should clearly state to what particular subject his letter refers.

(*b*) "Signature of who received the goods." These words are too elliptical, and, as they stand, ungrammatical. Who usually receives goods? A receiving clerk. Then why does E. B. not use the words "receiving clerk"?

(*c*) "Which" is a relative pronoun agreeing with an antecedent. The antecedent here is the word "goods," but E. B. evidently intends it to be the word "signature."

(*d*) The words "and cannot . . . returned" should form a fresh sentence, as they have no logical connection with the rest of the letter. Further, the word "without" is used wrongly. Strictly, "without" = not with. E. B. should have used the word "unless."

(*e*) It is remarkable how frequently the tag "and oblige" finds its way into business letters. The use of it should be avoided. Its appearance here is ludicrous.

(*f*) E. B. should remember that curtness is always objectionable. As he will probably have to write and apologise for the absence of the necessary credit, he should have given his letter a polite tone, and have written somewhat in the style following :

We have to acknowledge the receipt of your letter of to-day's date claiming credit, £3 2s. 7d., for returns stated to have been made on the 24th June last, but we regret to say that we cannot trace their receipt. If you will be good enough to send us a copy of your returns note, and also quote our receiving clerk's signature for the parcel, we shall, in all probability, be able to trace it, and pass you the required credit. Apologising for troubling you,

We remain,
Yours faithfully,
p. JAMES SANDERS & SONS,
E. B.

Example II

Re your invoice just to hand. We do not accept any responsibility for the insertion of our advt. in your issues of the 14th and 21st inst. seeing you received our stop order on the 12th inst. and cannot pass same as we hold your receipt for it. A credit note for £3 17s. 6d. will oblige, or we will deduct it from your account, whichever you prefer.

Yours faithfully,
p. BATESON & PORTER,
F. C. H.

Notes. (*a*) The same objection applies to the opening of this letter as to that of Example I. There is no formal and explicit reference to the subject of correspondence.

(*b*) The words "cannot pass same" are both unnecessary and ungrammatical. F. C. H. has already said that his firm "do not accept any responsibility," and no good purpose is served by labouring the point. To what does the word "same" refer? Obviously to the "stop order," but F. C. H. means it to refer to the invoice. But the whole passage "We do not . . . receipt for it" is confused and ungrammatical, and must be recast. The words "hold your receipt for it" refer to the stop order and should, for that reason, be closely connected with the words "stop order."

(*c*) To what does the pronoun "it" in the last sentence refer? The credit note? But F. C. H. has received no credit note. Pronouns such as "he," "she," "it" require careful handling, or confusion is sure to ensue.

(*d*) A little reflection should serve to show F. C. H. that though he is perfectly right in refusing, on behalf of his employers to pay for advertisements inserted contrary to instructions, yet his case is so strong that he can afford to temper his letter of repudiation by some expression of regret that his correspondents should not have paid more careful attention to the orders issued to them. The following letter would have served his purpose better:

> *Your invoice £3 17s. 6d. for advertising in the "Iron Trade's Gazette," issues dated the 14th and 21st inst., is to hand, but we would point out that you received on the 12th inst. our stop order, for which we hold your receipt, signed H. D. We very much regret that you should have inserted our advertisement in the face of this stop order, and that we cannot pass your invoice. Kindly send us a credit note for £3 17s. 6d., or, if you prefer it, we will return the invoice.*
>
> *Yours faithfully,*
> *p. BATESON & PORTER,*
> *F. C. H.*

EXAMPLE III

> ***We are sending you some samples of our goods you could no doubt do a big business in. Other clients in Christchurch are taking them up and our terms are very easy. We shall require references before we open an account, otherwise we must ask cash with order.***
>
> *Yours faithfully,*
> *ROBERT ANDERSON & SONS,*
> *per F. C.*

Notes. (*a*) Have the samples been asked for? Apparently not. Then an apologetic remark or two would not be out of place.

(*b*) Why does F. C. not specify (1) the exact samples he is sending, (2) the delivery agent employed?

(*c*) After the word "goods" the relative pronoun "which" is required, or rather the words "in which," in order to avoid the weak and inelegant use of the preposition "in" at the end of the sentence.

(*d*) "Clients" is the wrong word to use. A tradesman deals not with clients, but with customers. Further, F. C.'s correspondent is neither client nor customer. F. C. *hopes* to make him a customer.

(*e*) The words " and our terms are very easy " look ridiculous, tacked on as they are to other words with which they have no connection.

(*f*) The last sentence is altogether unnecessary, and detrimental to F. C.'s hopes. His object is to secure a new customer. Why, then, mention anything about references, which an intending customer will probably furnish unasked, or which could be obtained by inquiry through one of the mercantile agencies who make it a business to furnish reliable particulars of the financial status of traders ?

(*g*) After such phrases as " Awaiting your esteemed favours," the complimentary close of the letter requires for its completion the insertion of the words " I am " or " We are," " I " or " We remain," " Yours faithfully," etc.

The whole letter is badly constructed, and, unless the samples are uncommonly good and the prices remarkably low, scarcely likely to extend Messrs. Anderson and Sons' list of customers. The letter wants the persuasive note. It should be remodelled somewhat as follows :

> *As we have not yet had the pleasure of business relationship with you, we venture to send you, per Messrs. Pitt and Scott, carriage paid, a parcel of our latest samples, as per enclosed marked price list.*
>
> *We have many customers for these goods in Christchurch, who find a ready sale for them, since the selling price to the public is lower than that for similar goods by other makers, and the goods themselves are built upon better models and of more durable materials. Further, they are in as great favour with the trader as with the public, for the terms on which we invoice them show to moderate buyers a gross profit of not less than* 60 *per cent., while to large buyers the gross profit is close upon* 75 *per cent. We are convinced you could do a large and constant trade in our products, and that once you become acquainted with their selling power you will never be without them. Confidently awaiting a trial order from you,*
>
> *We are,*
> *Yours faithfully,*
> ***ROBERT ANDERSON & SONS.***

From the foregoing criticisms the student will see that the commercial letter requires:

1. Correct Beginning. It should begin in such a way as to recall immediately to the correspondent:

(*a*) The letter or letters to which it is a reply.
(*b*) The subject-matter to which the letter refers.

Frequently business letters are headed by a reference number, *E.g.*:

In reply please quote F $\frac{B}{1927}$. *Reference*: $\frac{\textit{News Dept.}}{\textit{I. A. L.}}$

The quotation of this reference number at the head of the reply enables the person receiving it to turn up the previous correspondence connected with it, but even though the reference number be quoted, the reply should give clear indication of its history for the sender's own benefit.

The beginning of a letter is usually of a somewhat formal character. Here are a few common examples of such formal beginnings:

We beg to acknowledge the receipt of your letter of the 18th inst.,
We have pleasure in acknowledging the receipt of . . .
In reply to your letter of June 17th,
With reference to }
Referring to } *your letter of April 17th,*
Replying to }
In response to your inquiry dated May 30th.

2. Correct Ending. The formal words ending a letter are termed the complimentary close. The most usual form in business letters is

Yours faithfully,

Some business men, however, especially when soliciting orders or submitting samples, prefer the humbler forms:

Yours respectfully, *Yours obediently,*

This complimentary close must be preceded by the words

I am, or ***I remain;*** ***We are,*** or ***We remain.***

after participal phrases such as:

> *Awaiting the favour of your esteemed orders,*
> *Assuring you of our prompt attention to your commands,*
> *Apologising for the error,*
> *Trusting you will be able to accord us a favourable reply,*
> *Regretting that we are unable to accept your offer,*
> *Recommending the draft to your kind protection,*
> *Soliciting a continuance of your orders,*

3. Precision of Phraseology. An order conveyed in language such as this:

> *Please send us another lot of your Lightning Cleanser same as last but send by carrier and not by rail.*

would involve much turning up of papers on the part of the receiver, and conduce to delay or mistakes for which, should either occur, the writer alone could be held responsible.

State exactly what goods are wanted, when they are wanted, and how they are to be sent. When figures are used confirm them by writing the amounts, weights, or measurements in words also; *e.g.:*

> *Please send us at once, by Carter, Paterson,* 112 *lbs.* (*one cwt.*) *Lightning Cleanser, terms as usual.*

An order couched in some such words as the following is to be deprecated:

> *Please send 2 pcs. Blue Diagonal Serge, as near as possible to pattern enclosed. Price from 15¾d. to 2s. 3d. per yd.*

The correct course in a case of this kind would be to send the sample, asking for patterns as near the sample as possible, with quotations, and then, selecting the suitable pattern, order as follows:

> *Please send by return per Bean 2* (*two*) *pcs.* 09177 *Blue Diagonal Serge* @ 1/9 (*one shilling and ninepence*) *per yd.*

When fixing appointments name, if possible, a definite date; *e.g.* not *any day next week*, but *Friday, the* 10*th inst., at* 12.30 *p.m.* Payment of overdue accounts should be requested, not *within a week or two*, or *as early as convenient*, but, *e.g.*, *on or before the* 31*st inst.*

Reference should be made to interviews, offers of service, estimates, inquiries, not in the vague formulæ *Some time ago,* or *About August last,* or *We remember that in the spring of this year,* but by quoting the particular date when the interview took place, or the offer of service, estimate, or inquiry was made. *E.g.:*

> *On the* 14*th August you wrote to us offering, etc.*
> „ „ *you estimated to supply us with, etc.*
> „ „ *you inquired if, etc.*

In order to refer to events in this precise and businesslike way, the student must cultivate habits of order, and accustom himself to make written memoranda of events, and to file all papers likely to be of service in the future. Such habits distinguish the efficient from the non-efficient business man.

4. Freedom from Ambiguity. The main causes of ambiguity are:

(*a*) Bad arrangement of words and phrases.
(*b*) Misuse of words.
(*c*) Verbosity and tautology.
(*d*) Confusion of thought.
(*e*) Faulty punctuation.

(*a*) *Bad Arrangement of Words and Phrases.* Nothing conduces more to ambiguity of meaning than this. A treatise could, of course, be written on the subject, but the mention of a few of the most important rules must here suffice:

(1) Words closely connected in the expression of the thought should be placed as near each other as possible. *E.g.* auxiliary verbs should not be separated from the principal verb by long, intervening phrases as in the following example:

> *We have pleasure in informing you that we have been, owing to the large increase of business which has taken place in several important departments, compelled to take additional premises at* 52 *Wood Street, E.C.*

A better arrangement would be:

> *We have pleasure in informing you that, owing to . . . departments, we have been compelled to take, etc.*

Adverbs and adverbial phrases should be in close proximity to the words they modify, and relatives should also closely follow their true antecedents. *E.g.:*

> *One clerk only came in late yesterday.* " Only " should come before " one," not " came." Again: *I looked up the article " Shipbuilding " in the Encyclopædia Britannica, which was written by him.* This construction seems to imply that the person referred to wrote not only the article " Shipbuilding," but the whole of the Ency. Brit.

(2) The pronouns, *he, she, it, they, etc.*, require careful use when different persons are referred to. *E.g.*:

> *Mr. Williams told his ledger clerk that it would not be his fault if he did not succeed.*

This is very ambiguous. " His fault " may mean Mr. Williams' fault or his ledger clerk's fault. The same remark applies to " if he did not succeed."

(3) Avoid placing a noun which can also be used as an adjective just before another noun; *e.g. In business worries are frequent.* A much better arrangement of such a sentence would be *Worries are frequent in business.*

(*b*) *Misuse of Words.* Often words are thought to be synonymous, whereas they express quite different meanings. *E.g.* compare such words as *transpire* and *happen, allude* and *mention, expect* and *suspect, aggravate* and *irritate.* The only way to get to understand the correct meanings of words is to note carefully their use by good authors, and whenever an unfamiliar word is met with to look up its exact meaning in a standard dictionary.

Careless writers also find considerable difficulty in selecting the right prepositions to follow certain words. The following is a list of the more common ones:

accede *to*
acceptable *to*
access *to*
accessory *to*
accommodate *to* (a condition)
accommodate *with* (a thing)
accord *with*
acquit *of*
adapted *for* (a purpose)
adapted *to* (a condition)
adequate *to*
adhere *to*
adjacent *to*
adjust *to*
agree *to* (the things proposed)
agree *with* (a person to things proposed)
angry *at* (a thing)
angry *with* (a person)
annex *to*
antecedent *to*
averse *from* (not *to*)
call *at* a house
call *upon* a person

compare *with* (in respect of merit or quality; *e.g.* one writer with another writer)
compare *to* (by way of illustration—a ship to a swan)
comply *with*
confer *on* = bestow upon
confer *with* = hold a consultation with
differ *from* (a person in some quality)
differ *with* (a person in opinion)
different *from*
divide *among* many
divide *between* two
equivalent *to*
exception *from* a rule
exception *to* a statement
glad *at* something related
glad *of* something given
innate *in*
inspire *with*
instil *into*
instinct *with*
level *with*
oblivious *of*
part *from* a person
part *with* a thing
remove *from*
replete *with*
repugnant *to*
sated *with*
similar *to*
taste *for* a thing desired
taste *of* a thing possessed

(*c*) *Verbosity—i.e.* using many more words than are absolutely necessary. Conciseness is very desirable in business letters. Say what you have to say as briefly as is consistent with clearness, politeness, and the attainment of the object you have in view. It is a waste of time as well as a source of confusion to write, *e.g.*:

> *Your claim for an allowance cannot therefore be upheld as there is nothing to support it, and, if there were, you cannot fail to have noticed that all our invoices are clearly printed that we can under no circumstances whatever entertain any claims which are not made within a fortnight after receiving the goods.*

How much more effective the letter would be if written somewhat as follows:

> *We cannot, therefore, admit your claim. There is nothing to support it, and, further, a month has elapsed since you received the goods, whereas our invoice states clearly that claims, to be entertained, must be made within fourteen days.*

The student will find good practice in attaining conciseness and clarity of expression by writing imaginary business letters and then cutting out all unnecessary words, and remodelling his sentences so that finally they are not only composed of as few words as possible, but convey one meaning and only one meaning.

(*d*) *Tautology—i.e.* useless repetition of the same idea in different words. Tautology occurs chiefly from a defective knowledge of the exact meaning of words, as in the following sentence:

> *If you can guarantee us a minimum trade of £200 per month, we are prepared to give you the entire monopoly for the city of Birmingham.*

Here the writer fails to grasp the fact that the word "monopoly" involves the meaning of "entire."

Other common examples of tautology are:

"Equanimity of *mind.*" *Equanimity* = evenness of mind.
"World-wide recognition *by all.*" *World-wide* = by all.
"*Surrounding* circumstances." *Circumstances* = things that surround.
"*Continue to* remain." *Remain* = continue in a place.
"Returned *back.*" *Return* = come back.

(*e*) *Confusion of Thought.* Never attempt to write a letter till you have a clear notion of what you wish to say. Consider all the points bearing upon the subject till they take definite form and become logically connected in your mind. Clear writing presupposes clear thinking. It will aid the student to acquire the power of mental composition if, after having thought out a letter, he will first of all make a draft of it, not correcting as he writes, but leaving the correction till the whole draft is finished. Such practice will gradually strengthen his mental powers, so that in time he will be able to write or dictate a letter straight away that will not require any correction.

(*f*) *Faulty Punctuation.* To explain all the principles of punctuation would require far more space than I can devote to it in a treatise of this kind. I can only direct the student's attention to some important points. The chief object of punctuation is to make the grammatical construction and the sense more easy of comprehension. It is obvious, therefore, that punctuation is subject to rule, and must not be done in a haphazard way. A good method for the beginner to follow is to write out the letter first and to punctuate it afterwards, and, further, to punctuate only in such places as will make the meaning clearer. *E.g.* the following sentence is ludicrous as it stands:

> *Sir Charles Quartermain says the Central News is suffering from nervous breakdown.*

Commas after "Quartermain" and "News" are absolutely necessary to preserve the passage from being nonsensical.

Again:

> *The question of financing the operation, too, simple as it seems, really requires considerable study.*

The insertion of a comma after "too" alters the meaning of the word from "more than sufficiently" to its other meaning of "also."

The above examples are sufficient to show that correct punctuation requires thought. If the student is ever in doubt whether a stop should or should not be used, either *leave it out* or, better still, recast the sentences. Better too few stops than too many. Again, the student should cultivate the habit of writing, in business letters, short, crisp sentences rather than long, involved ones, that usually require more careful stopping in order to be readily understood. For further information upon this subject the student is referred to "Modern Commercial Correspondence," by J. K. Grebby.

5. Persuasive Phrasing. Though the student should remember that the strength of the letter lies in its facts rather than in the language used to describe those facts, yet he must make the most of the facts and see that he omits nothing likely to influence his correspondent favourably. Suppose he is writing to induce a trader to open an account with his firm. Let him mentally put himself in the trader's place, and ask himself what inducements he personally would want in order to make him invest part of his capital in other people's goods. Having done this, let him mention any or all of the following points that are applicable in the particular case:

(*a*) That the goods are proprietary articles—*i.e.* that their manufacture is confined to one particular firm, and competition between trader and trader is thereby reduced to a minimum.
(*b*) That they yield a good profit to the trader (state the exact profit).
(*c*) That they are in constant demand by the public.
(*d*) That they have been widely bought by other traders in the locality, or that they have not been bought at all, and his prospective customer can therefore enjoy a clear run of sale.

(*e*) That the customer may have the exclusive agency for his district.
(*f*) That the terms of account are easy. State the terms.
(*g*) That returns of shop-soiled stock, or stock of one pattern for that of another pattern, are allowed, or that the goods are sent on sale or return.
(*h*) That the goods are widely advertised in the public Press, by posters on hoardings, by distribution of circulars or house-to-house samples, and that all advertisements in his district will bear his name and address.

And so on, omitting nothing calculated to add to the force of his appeal.

6. Courtesy. A discourteous letter is probably more detrimental than is personal discourtesy. The stigma of personal discourtesy attaches to the particular person guilty, and *may* be forgotten, but the discourteous letter reflects upon the firm as a firm, and, as the old Latin tag says, the written word remains.

7. Avoidance of worn-out tags and phrases, such as, *e.g.*, " even date," " and oblige," the persistent use of the word " same," and of scraps of foreign languages: *en règle, de rigueur, mala fides, pro tanto, non probandi, dies non, etc.* Good English is always preferable.

Signing Letters. As a general rule a principal signs all important letters, and he does so by writing his name immediately after the complimentary close of the letter, or by writing his name or placing his initials beneath the name of the firm, which is either typed, written, or impressed by means of a rubber stamp. *E.g.:*

Armstrong and Williams, *J. Williams.*	or	*Simpson and Sons,* *J. A. S.*

But frequently some part of a principal's authority is deputed to a manager (Mgr.) or chief clerk, who signs on behalf of his principal. This deputation of authority may be effected (1) by a formal instrument known as a *Power of Attorney* (P/A), which is a legal document appointing a person to be an *Attorney* or *Agent* (Agt.) for another person, to act either generally or specifically, as the document may direct; or (2) it may arise through custom, the observance of which gains the force of legal sanction. In such cases the manager or head clerk is said to sign *per procurationem, per pro.,* or *p.p.* = *by procuration,* as follows:

p.p. Armstrong and Williams,
J. H. Howard, Mgr.

or

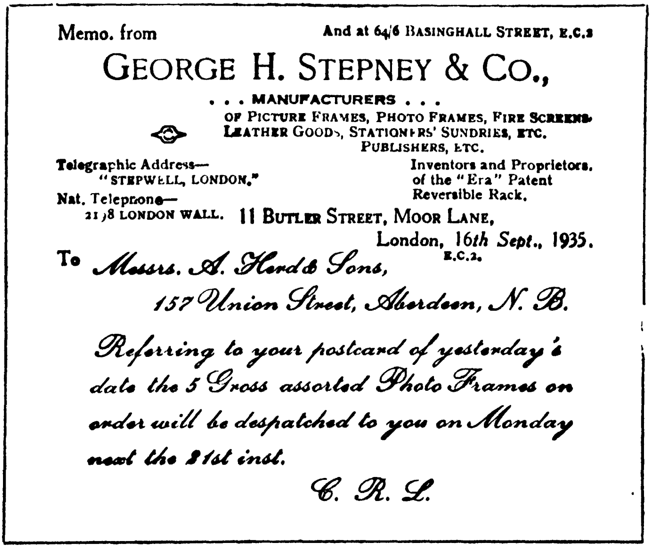
per pro. Simpson and Sons,
B. Hill.

Every clerk is more or less an agent (the meaning of the word is explained on p. 142) for his principal, but unless he has been appointed to sign "per procurationem" he is only entitled to the use of the word "per" or "for," and to sign as follows:

per [or *p.*] *Armstrong and Williams,*
W. B. F.

for Simpson and Sons,
B. H.

Memorandum Forms. These printed forms, used for brief, unimportant communications, are not usually signed, though it is customary for the clerk responsible for them to add his initials. An illustration of a common style of memo. form is appended.



Memo. from
And at 64/6 BASINGHALL STREET, E.C.2

GEORGE H. STEPNEY & CO.,

. . . MANUFACTURERS . . .
OF PICTURE FRAMES, PHOTO FRAMES, FIRE SCREENS,
LEATHER GOODS, STATIONERS' SUNDRIES, ETC.
PUBLISHERS, ETC.

Telegraphic Address—
"STEPWELL, LONDON."
Nat. Telephone—
2198 LONDON WALL.

Inventors and Proprietors,
of the "Era" Patent
Reversible Rack.

11 BUTLER STREET, MOOR LANE,
E.C.2.
London, 16*th Sept.*, 1935.

To *Messrs. A. Herd & Sons,*
157 Union Street, Aberdeen, N. B.

Referring to your postcard of yesterday's date the 5 Gross assorted Photo Frames on order will be despatched to you on Monday next the 21st inst.

C. R. L.

Postscript (P.S.). This word, derived from the Latin *post scriptum,* means "after the writing," and signifies something added to the letter after it has been signed. A well-written letter does not usually require a postscript—the writer knows what he wishes to say, and says it above the signature.

Contraction of Dates. When replying to letters it is frequently necessary to refer to communications received, as, e.g., "*Your letter dated the 25th of May is to hand*"; or to arrange dates for interviews, etc., as, e.g., "*Our Mr. Walters will be pleased to go into the matter with you if you will be good enough to call on Wednesday next, at* 10.30 *a.m.*" Instead, however, of mentioning the month, the following contractions are used: *inst.* for *instant* (= the present month); *ult.* for *ultimo* (= the last month); *prox.* for *proximo* (= the next month). Thus, if you were writing on May 10 your reference to a letter received on April 25 would be to "*yours of the 25th ult.* [or *ultimo*]"; your reference to a letter received on May 8 would be to "*your letter* [not *your favour*] *of the 8th inst.* [or *instant*]"; while if you were arranging for delivery of goods to be made, say, on June 2, you would write: "*Delivery to be made not later than the 2nd prox.* [or *proximo*]." It should be added, however, that these expressions, though still common, are becoming old-fashioned. "Inst." will probably survive, but most correspondents nowadays would substitute "*the 25th of April*" and "*the 2nd of June*" for "*the 25th ult.*" and "*the 2nd prox.*" respectively.

Telegrams (or Cablegrams) **and Radiotelegrams.** The accurate and economical writing of telegrams is an important part of a clerk's duties. Much money may be wasted by lack of condensation, and much valuable time lost by ambiguity in the wording. In telegram-writing grammatical form is not of much account, but *clearness is essential.* As every word costs money, the clerk who has to write telegrams should learn to express himself in the fewest possible words, but on no account must *clearness be sacrificed to brevity.*

The only object of a telegram is to save time, so, if it be not worded clearly, and correspondence or other explanatory telegrams have to pass between the parties in order to ascertain the real meaning of the original wire, its sole purpose is lost.

The first thing to do in telegraphing is to pick out the *essential* words and to wire those only. For example, suppose you have to telegraph an order which, if written, would appear as follows:

Please book me for immediate delivery:

500 *Rockingham Quilts at* 15/6 *each.*
150 *Derby* ,, *at* 22/9 *each.*
Less 2½ *per cent. discount, delivered free.*

The essential words and figures that need be telegraphed are:

> *Book* 500 *Rockingham Quilts* 15/6 150.
> *Derby* 22/9 *less* 2½ *free delivery immediate.*

(It might not be necessary to wire even the word " quilts.")

Take another example:

> *We regret to say that the* 2 *tons Copper Rods ordered by us on the* 6*th July for delivery within one week are not yet to hand. If you cannot deliver at once please cancel the order, as we shall be compelled to buy elsewhere. Kindly let us know by return.*

The words necessary for telegraphing would be:

> *Two tons Copper Rods ordered sixth July delivery within week not received if not ready cancel order wire reply.*

Note. It is always better to express figures, where possible, by words, especially in wiring market prices, where the correct transmission of the exact figures is most important; e.g. *Fifty-three* is much less likely to be altered in transmission than the figures 53, which a careless telegraphist at the other end might make to look more like 35 than 53. Of course, when the telegram is a long one and the figures numerous such a course may add considerably to the expense.

Duplicating Telegrams. All telegrams should be duplicated or triplicated before they are sent off. In some offices they are press-copied, while in others a carbon copy or copies are taken. But frequently in large offices a *manifold telegram book* is used, by which three copies are written at once, one copy for the P.O., a duplicate for enclosure in the confirmatory letter sent off the same day as the telegram, and a triplicate which remains in the book for reference purposes.

Confirming Telegrams. As stated above, all telegrams should be confirmed the same day as despatched. This confirmation may be effected by merely sending the duplicate from the manifold book, which bears a printed heading: " *A Telegram as follows was despatched to you at* .... A.M./P.M. *this*........*day of*............ 19..," or by enclosing the duplicate in a letter amplifying the purport of the telegram.

Foreign and Colonial Telegrams (or Cablegrams). A foreign or Colonial telegram may be written in any one of nine languages, viz. English, French, German, Spanish, Italian, Portuguese, Scandinavian, Dutch, or Latin. A word is taken to consist of fifteen letters. If composed of more it is counted as two words. In addition to being written in *ordinary language*, a telegram may be written in *code*, each word not exceeding ten letters, or in *cypher*, when no group of figures or letters may exceed five in number. A foreign or Colonial telegram may be written either on the P.O. forms or on the forms provided by the different telegraph companies.

Telegrams in Ordinary Language. Condensation, desirable when sending inland telegrams, becomes imperative when despatching foreign or Colonial telegrams. At the time of writing an inland telegram costs 1*s.* for twelve words, including the address, or 1*d.* per word. For the *European System*, which, besides the continent of Europe, includes Algeria, the Canary Islands, Morocco, the Faröe Islands, and the Spanish possessions on the North Coast of Africa, Greenland, Iceland, Russia-in-Asia, Turkey-in-Asia, the rate per word varies from 2½*d.* to 9½*d.* For telegrams to countries included in the *Extra-European System* the rate per word varies considerably, being as high as 7*s.* for some small islands in the West Indies. Ordinary language cannot be condensed beyond a certain point, otherwise it becomes difficult to comprehend. Hence to meet this need for the maximum of condensation without detriment to intelligibility *Codes* have been devised, in which a single word does duty for many words, and sometimes for a whole sentence.

Deferred Telegrams. Deferred telegrams at reduced rates are accepted for transmission to the British Overseas Dominions and other Extra-European places. Deferred telegrams must be in plain language; no code or cypher may be used. They must also bear the indication LCO = language of the country of origin, LCF = French, or LCD = language of the country of destination, according to the language used. They are accepted on the condition that they may, if necessary, be deferred during transmission in favour of full-rate traffic.

Telegraph Codes. — A telegraph code consists of many thousands of words. Formerly, these words were required to be pronounceable according to the rules of certain languages, but artificial words are now permitted. Modern codes consist of five-letter code-words, arranged in alphabetical order, as in an ordinary dictionary. To each of these code-words a phrase or sentence is attached, and coding consists of writing the five-letter words for the phrases and joining them up to make words of ten letters for transmission. The reason for joining the code-words is that the Post Office and the cable companies count as one word artificial words of ten letters. Proper names are not allowed in a code message except in their proper sense. There are several telegraph codes in use, e.g. the ABC, Lieber's, Bentley's, Marconi's, Peterson's, etc., and below we give as an illustration a few entries taken from the ABC code, 6th Edition.

DECK CARGO

EPSEK	Endeavour to get a deck cargo at ship's risk.
EPSIO	Endeavour to get a deck cargo at shipper's risk.
EPSNU	Exclusive of deck cargo.
EPSOV	Expect it will have to go on deck.
EPSSY	Expect the former will go on deck.
EPSUA	Expect the latter will go on deck.
EPSYE	Has deck cargo been——
EPTAI	Has the following cargo on deck, arrange for immediate delivery on arrival at consigner's risk and expense, avoiding delay.

How to use a Telegraph Code.—Suppose a firm wished to cable to a customer the following message: "We offer, subject to being unsold on receipt of your reply, 100 cases Tates No. 1 cubes, price 45/- per cwt., F.O.B. Liverpool. Cash against documents." Examining the ABC code, 6th Edition, in the *Offer Table of General Merchandise*, one finds the word WUAUK, which indicates "We offer, subject to being unsold on receipt of reply." Then, turning to the *Index of Commodities*, under the heading "Sugar," we find that the code-word for "Tates No. 1 cubes" is GRYLZ. Turning to the heading "Hundredweight," it will be seen that PYNPA is the code-word for "At—per cwt.," and under the heading "Currency" we find that IMIHD indicates "£2 5*s*. 0*d*." Then, under the heading "Free on board Ports," we find that OROYO stands for "F.O.B. Liverpool," and under the heading "Cash," we see that ERHEI indicates "Cash in exchange for documents." The whole message is now coded, and if the above code-words are joined together, the cable message will read

WUAUKGRYLZ PYNPAIMIHD OROYOERHEI

By using the code, the whole message of 26 words is sent at the cost of three words. This illustrates the great value of codes to those mercantile houses who have much cabling to do, particularly if it be to those parts of the world to which the cable rates are high.

The recipient of the above message would look in the telegraph code and transpose it into clear language. This operation is called *decoding.*

Those students who have occasion to use telegraphic codes will have noticed, generally at the end of the code-book, a terminal arrangement of the code-words. The object of this is to enable the receiver of a message to check any error that may have been made in transmission. The mistake, if any, is usually in the prefix, and so, in practice, it is found that the last two letters generally form the basis on which an error in transmission may be detected. But this is not so in all cases.

As students may be aware, messages are transmitted by the Morse code. In compiling a telegraphic code, combinations of letters which might lead to error owing to the way the letters are denoted in Morse are carefully avoided. The possibility of error is, therefore, reduced to a minimum.

Indication of Codes used. Firms using codes indicate the codes used upon their stationery just as they indicate their telephone number or numbers, or their telegraphic address. A *telegraphic address* (T/A) may be registered at the General Post Office (G.P.O.), at a charge of £2 a year, but cable companies will register telegraphic addresses free of cost. The Registration of telegraphic addresses is a further means of curtailing expense in telegraphing; *see* pp. 83, 86, etc., for specimens.

Private Codes. Besides the public codes already mentioned firms arrange private codes for use between headquarters and the foreign branch or agent. Thus a firm receiving regular shipments of, say, an American or Canadian Monthly Magazine, might arrange a small code on some such lines as follows:

Antelope = increase order 250 copies
Alligator ,, 500 ,,
Anteater ,, 750 ,,
Armadillo ,, 1000 ,,
etc. etc.

Altona = decrease order 250 copies
Arkansas „ 500 „
Appleby „ 750 „
Alton „ 1000 „
etc. etc.

The student is referred at this point to Post Office Information (*see* Appendix), relating to Inland Telegrams, and Foreign and Colonial Telegrams.

I append a few specimen business letters taken from my book, "Modern Commercial Correspondence," to which the reader is referred for further examples.

With reference to your advertisement in to-day's *Daily Telegraph* for a junior clerk, I beg to offer myself for the post. My age is 16. I was educated at King's College School, where I passed the Junior Cambridge Local Examination, and also obtained a Certificate in Elementary Book-keeping, and a second class in Advanced Arithmetic from the Society of Arts.

Since leaving school, nine months ago, I have attended Typewriting and Shorthand classes, and have now attained a speed of thirty-five and ninety words respectively.

I am very anxious to get into a merchant's office in order to fit myself for a commercial career, and should my application be successful, I will do my best to give you satisfaction. The salary I should require would be 25*s*. a week as a start.

In reply to your advertisement in to-day's *Liverpool Courier*, I beg respectfully to offer my services for the vacant appointment of Junior Clerk.

I am just over fifteen years of age and have left school about nine months, during which time I have been striving to make myself proficient in Shorthand and Typewriting and have now attained a speed of ninety and thirty words a minute respectively.

While I was at school I gained first place in Arithmetic, and also received a prize for Elementary Book-keeping, and have, besides, a fair general knowledge.

My late Head Master, Mr. John Cathcart, of the Higher Grade School, Garston, will, I am sure, speak favourably of me, and I am also permitted to refer you to the Rev. T. W. Symes, M.A., Vicar of Holy Trinity, who has known me all my life.

Soliciting the favour of an interview, and assuring you that if appointed I will do my best to give you satisfaction,

---

I have to say that the business carried on by me for the past thirty years at the above address has been purchased by the old-established firm of Messrs. W. Roberts and Co., who will transfer it, as a new department, to their own well-known premises at 15 Wood Street, E.C., as from the 1st prox.

Messrs. W. Roberts and Co. have taken over the whole of my liabilities, stock, and book debts, so that I must ask you to forward to them all amounts due.

Trusting that you will favour them with the same generous support that you have always accorded to me, and wishing you every success,

---

We have pleasure in announcing that, owing to the large increase in the volume of our trade with the North of England, we have decided for the convenience of our customers to open a New Branch in Liverpool and have appointed as Manager our Mr. Alfred Fortescue.

Mr. Fortescue, who has been with us for the last twenty years, has been granted Power of Procuration, and we shall feel obliged if, instead of sending your kind inquiries and orders direct to our London works, you will, in future, place them with him. He is, of course, quite conversant with all the details of manufacture, and will be able to answer all inquiries.

Thanking you for your valued support in the past, and hoping for its continuance,

---

I have pleasure in informing you that I shall be calling upon you on Monday next, the 15th inst., when I hope to receive your valued inquiries and orders.

We beg to inform you that our Representative, Mr. Wilfred Macdonnell, will have the pleasure of waiting upon you on Tuesday, the 9th inst., when the favour of your orders will be esteemed.

We shall be obliged if, for the purpose of our Half-Yearly Stock-taking, you will send, not later than the 2nd of June, a statement of account up to and including the 30th June.

We are in receipt of your inquiry for 250 yds. each Black, Tan, Brown, and Drab Moleskins @ 2*s*. 6*d*., for which we thank you. We have none of this particular make in stock at the moment, and, owing to great pressure at the mills, we are afraid we cannot guarantee delivery within less than three months of receipt of order. We note, however, that your patterns are sulphide-dyed. We also use sulphides, but only for the cheaper makes of moleskins. All our moleskins above 1*s*. 8*d*. are aniline-dyed, which gives a much faster colour, and in other respects a more satisfactory result. If you can see your way to take our aniline-dyed we can deliver from stock on receipt of order. The extra cost is not more than ½*d*. per yd. Trusting to be favoured with your commands,

---

Our Autumn Season Samples have just been completed, and we shall esteem it a favour if you will kindly call upon us to inspect them.

They include goods in Leather, Leatherette, Oak, Fancy Mouldings, Aluminium, and various other materials such as cloth, felt, silk, etc.

Hoping for your kind appointment,

We are on the look-out for the following, and should be obliged if you would send samples after to-day's Indian sale :

(1) A thick liquoring Dooars @ 1*s*. 6*d*. to 1*s*. 6½*d*.

(2) A fine flavoury Ceylon Broken Pekoe—tippy leaf, but not too small—@ 1*s*. 9*d*. limit.

(3) A pungent thick Assam Souchong from 1*s*. 8½*d*. to 1*s*. 9*d*., to follow a Hapjan. Must be good liquor and must mill well.

We shall also be tasting Coffee on Friday next, and are open for a

Vera Paz or Costa Rica, limit 160*s*. Bold handsome berry, if possible, but good cup essential.

Please quote us your very lowest price for 10 tons Strawboards, assorted substances from 1½ lb. to 4½ lbs., and 5 tons in substances, 6 ozs. to 20 ozs., and say how soon you can deliver.

We should also be glad to have a sample sent of your various box-making papers, with lowest prices.

We shall shortly be wanting 2 tons of Ochre-lined Strawboards and shall be obliged by sample and price for this line also.

We are in receipt of your p.c. of the 3rd inst., and beg to inform you that we have sent you a sample of Spelter Ashes and also a sample of Aluminium Waste, and we should be glad if you would quote us your best prices for these. We have about 1 ton of Spelter Ashes for sale, and, as near as we can tell, we shall have 8 to 10 cwts. of Aluminium Waste.

We have received and tested the sample of Zinc Ashes referred to in your letter of the 6th inst. and for the 20 tons we can offer you £10 4*s*. 0*d*. per ton, dry weight, delivered free at our works, subject to the bulk being equal to the sample submitted. Early delivery, and net cash payment after receipt of the material at our works, and verification of weight and quality.

For your wire acceptance to-morrow.

With reference to your quotation of the 19th inst. and your postcard of the 24th inst., inquiring about it, I thank you for the trouble you have taken in the matter but regret that I am unable to pass you the business or make a counter offer—the prices you have quoted being very much higher than I have been able to buy at elsewhere.

We have to confirm having this day sold to you—

Quantity: 5000 (Five thousand) Prime New Zealand Lambs.

Brand: SX.

Price: 10¼*d*. per lb.; c.i.f. Colonial Weights.

Shipment: First week June next.

Payment: Cash against documents on arrival of vessel in London.

Any dispute arising out of this Contract to be settled by Arbitration in London in the usual way.

Referring to the correspondence we had with you about the end of January last regarding Pig Lead from Spain to Manchester, we shall be glad to know whether there is any prospect of your bringing forward some parcels in the near future. We shall have our steamer *Prince Albert* calling at Cartagena during the first week in April, and she is loading a parcel of Pig Lead for Manchester. Can you see your way to offer us a shipment also at 27*s*. 6*d*. a ton?

We thank you for yours of yesterday handing us Mate's Receipt for 50 cases Hardware shipped to Wellington, per *s.s. Waipara*, on account of Messrs. Ivy, Waterhouse and Co., Wellington, New Zealand.

We have to acknowledge receipt of your letter of the 7th inst., *re* difference in quality of No. 220 30 bags Spices, shipped on July 2nd.

We regret to note that you claim that the quality is inferior to original sample sent, and request that we credit you with ⅛*d.* per lb. This we are unable to do, as we forwarded you a purchase sample prior to shipment, and, not hearing from you to the contrary, presumed it to be in order.

However, we wish to meet you in the matter, and if, therefore, you will send us, by return, a fair sample of the bulk, we will examine it carefully and see what can be done.

With regard to the loss in weight, this could only have occurred in transit, we having invoiced on the London Shipping Weights, of which we enclose a copy. We would suggest that you make your claim on the forwarding agent, as in a case of this kind we really cannot accept any liability.

I duly received the 15 bags Granulated you sent me, but regret to find on examination that 5 of them are in a very damaged condition, having apparently been injured by sea-water. I shall therefore be glad if you will look into the matter, and let me know what you propose to do

---

In reply to yours of the 9th inst., we have to say that we are taking the matter up with the Wharf, and will forward their report as soon as it comes to hand. We must, however, add that we do not accept any responsibility with regard to foreign Granulated.

We regret to find on opening up the 10 cases of glass delivered here yesterday by Messrs. Brash and Rotheram that 10 per cent. of the sheets are broken, 50 per cent. show bubbles, and nearly all are badly scratched.

Will you please instruct your London Agents to inspect and report to you upon this delivery, because we shall have to claim upon you for 33⅓ per cent. of the amt. of your invoice—the balance representing our estimate of the value of the glass as it stands.

As we are under contract to deliver assorted sizes of this quality immediately, and are waiting your decision before cutting up, we look for your immediate attention to this matter.

In reply to yours requesting Credit Note for £2 10*s.* 7*d.* for 37⅝ yds. of quality C Pale Blue Crepoline Dress Material @ 16⅛*d.* alleged missing from the parcel of goods sent by us on 15th May, we beg to say that, upon receipt of your debit note we wrote you on 30th May, that the piece of Crepoline in question was duly sent by us along with the other goods charged on the same invoice.

We are certain that there has been no mistake at our end, as it was the only piece of Crepoline sent out by our Foreign Dress Dept. on this date.

We feel sure that if you make further inquiries of those assistants through whose hands this Crepoline would be likely to pass, you will be able to trace its receipt.

We shall be glad to hear further from you.

In reply to your inquiry of yesterday's date as to our rate for a £20,000 Floating Policy A.A.R., on general merchandise in wood only per Cunard-White Star, Ltd., from Liverpool or Southampton, to Boston or New York, we can quote you 2*s.* 3*d.* per cent. This is an exceptionally low rate, and we trust you can pass us the business. On shipments in wood and zinc, per Talbot Line sailers, from Liverpool to St John's, N.F., the extra premium would be 5*s.* 9*d.* per cent.

In reply to your letter of 12th inst., we shall be willing to accept the insurance of all your shipments of Champagne by regular liners to Australia on all risks, conditions with label clause, and including breakage and pilferage, from the United Kingdom to a direct Australian port, at an all-round rate of 12*s.* 3*d.* per cent., less 5 per cent. discount, and 10 per cent. brokerage, on the understanding that a good proportion of the shipments are by mail steamers.

We understand that the policies would be issued and the premiums payable here, claims to be made payable here or in the Colonies as desired.

We shall be glad to hear from you in due course.

I have to advise you that by a Resolution of the above Company I was, on 24th June, appointed Voluntary Liquidator, but on proceeding to take possession, was informed that a Receiver and Manager had been appointed on behalf of the Debenture Holders, and that he would hold possession until their claims were satisfied.

I shall be obliged by your attending a Meeting which will be held here to-morrow, June 6th, at 11.45 A.M., to consider what steps shall be taken to enable me to obtain early possession, with a view to an investigation of the whole of the transactions of the Company since its commencement.

Please bring with you a detailed statement of your account.

Permit me to remind you that my account rendered to 1st June last, amounting to £37 10*s.* 8*d.*, is still outstanding, and to request an early settlement.

I beg to remind you that I have received no reply to my letter of the 13th inst., asking for settlement of account, £37 10*s.* 8*d.*, due 1st July last. Please be good enough to let me have your cheque by return.

We are still without settlement of our account rendered, £18 10*s.* 6*d.*, notwithstanding our letters of the 15th and 31st July, and must for the third time request you to give your immediate attention to this matter. Further, the remittance must be made in full, as the settlement discount is contingent on payment within ten days from date of rendering.

Your letter of the 3rd inst., with cheque £10 on account, is to hand. We note what you say as to the difficulty you experience in collecting your outstanding accounts; but we are compelled to remark that we do not think you are treating us with the consideration we have a right to expect. It is true that small remittances have been forwarded from time to time, but the debit balance against you has been steadily accumulating during the past twelve months, until it now stands at the considerable total of £55 4*s.* 7*d.* Having regard to the many years during which you have been a customer of this house, and the, generally speaking, satisfactory character of your account, we are reluctant to resort to harsh measures. We must, however, insist that the existing balance shall be cleared off by regular instalments of, say, £15 per month, the first instalment to reach us not later than 15th May, and that, in the meantime, you shall pay cash for all further goods, we allowing you an extra 2½ per cent. discount in lieu of credit.

We shall be glad to hear by return that you agree to this arrangement, as otherwise we shall have no alternative but definitely to close your account, and place the matter in other hands.

We were surprised to receive information from our bankers this morning that your acceptance for £101 14*s.* 3*d.*, due 3rd inst., has been dishonoured. We must ask you immediately to send us your cheque to take up this bill, and also to remit us 6*s.* 8*d.* protest charges. If funds are not in our hands by first post Monday morning we shall, without further notice, place the matter in the hands of our solicitors.

We regret to inform you that, owing to the serious depression of trade now prevailing, we shall be unable to meet our acceptance for £176 10*s.* 7*d.*, which matures for payment on the 18th inst. Enclosed we beg to hand you cheque for £76 10*s.* 7*d.*, and shall be obliged if you will renew the balance at one month under interest. May we express the hope that the prompt manner in which all our engagements have hitherto been met will tend to assure you that only a temporary inconvenience prompts this request, and to add that everything points to a strong trade revival in the immediate future ?

Thanking you in anticipation,

The first half of our financial year ends to-morrow, and I shall be glad if you will have our Pass Book made up by Monday morning and the Balance brought down, first debiting us with all cheques presented and cashed to-morrow.

I shall also be glad if you will furnish us with a certificate of the balance brought down for our Auditor's inspection.

TEST PAPER V

1. Correct the errors in the letters Exs. I., II. and III. given on pp. 48–50 and without reference to the corrected versions redraft them in your *own* words.

2. How ought you to begin a letter when replying to a correspondent ? Give a few samples of formal openings.

3. Name the seven characteristics of a good letter given in this book. What are the most frequent causes of ambiguity ?

4. You conclude the text of a letter with the words " Trusting that you will find everything to your satisfaction." How would you finish the letter ?

5. A coal merchant has quoted you 46*s.* per ton for coal which you can buy elsewhere at 43*s.* 6*d.* Write a letter in answer to his reminder that he has received no order from you.

6. Distinguish between the words *Transpire* and *Happen* ; *Allude* and *Mention* ; *Expect* and *Suspect* ; *Aggravate* and *Irritate*, and show their meaning by examples.

7. Correct the following where necessary :

I was sorry to lose him as he was peculiarly adapted to accountancy work.

While I differed with his opinions I agreed with his proposals.

I was as angry with the occurrence as if I had personally suffered from it.

The sum was inadequate to my purpose.

Divided between a dozen or more it means 3*s.* 9*d.* apiece.

The work of one Counting House is similar with the work of all Counting Houses.

I was averse to raising his salary or even accommodating him to a change of posts.

8. What is a P/A? How does a clerk sign letters in the ordinary way and how would he sign if he possessed Power of Procuration?

9. What are memo. forms used for, and are they usually signed?

10. Give the meanings of ult., inst., prox. and show their use by examples.

11. What is a Postscript? If you knew anyone who was addicted to the use of P.S. what would you infer?

12. What are the chief points to be observed when writing telegrams? Reduce the following to suitable Inland telegraphic form, and say how much the message would cost:

Unless Brown's order reaches us not later than Wednesday next the 25th inst., we cannot guarantee delivery until after Christmas. The orders in hand are already sufficiently numerous to keep us fully employed till the 2nd week in January. Please inform all customers and take no orders for delivery prior to 18th January.

13. How are telegrams duplicated? What is a triplicate telegram book and what purpose does it serve?

14. What is meant by confirming a telegram and when is it done?

15. In what languages may foreign and colonial telegrams be written? What is a Coded Telegram?

16. Name three Telegraph Codes. What purpose does a Code serve? Illustrate your answer.

17. What is a Private Code?

18. How much would it cost to send a message of ten words to Sydney, New South Wales, to Valparaiso, to Bombay, and to New York?

19. What purpose is served by registering a T/A. How much does it cost: (*a*) through the G.P.O.; (*b*) through a Cable Company?

20. What are the advantages of the Telephone to business men? In what particular does this means of communication at a distance excel all others?

21. What is a trunk line? How much would it cost to speak to a customer in Paris?

22. What do the abbreviations p.p. and p. stand for?

23. A customer should have paid his account, £10 7*s.* 6*d.*, on February 15. It is now the 28th and though you wrote on the 20th asking for the cheque no notice has been taken of your letter. Draft a further letter to him in the light of these facts.

24. Condense the following into telegrams not to exceed twelve words each: (1) "I was not able to keep the appointment to-day, but will meet you to-morrow, same time and place, and will bring samples with me." (2) "The goods which you ordered are not now in stock, but we hope to be able to supply them in a day or two."

(*N. Union of Teachers Elem.*)

25. Print in block letters about a quarter of an inch long the word "consignments." (*Midland Counties Union Elem.*)

26. Draft a telegram from Scott and Co., Leek, informing Brown and

Sons, of Coventry, that, owing to a somewhat serious breakdown in the mill, only half the order has been forwarded ; that the remainder of the order cannot be delivered before April 20 ; also expressing regret at delay. (*Midland Counties Union.*)

27. Write a letter to the Secretary of the Midland Hardware Company, Ltd., Church Street, Stafford, applying for the position of Junior Clerk. (*Midland Counties Union Elem.*)

28. Mr. Bailey Browne of Barnsley has written to you to say that he is commencing business as a newsagent and stationer and asking your advice as to the best method of preserving his incoming correspondence. Write a suitable reply. (*West Riding C.C. Elem.*)

29. Make a fair copy of the following and set it out as you would in a letter. To Wright and Co. Brighton Dear Sir in reply to your letter of the 2nd inst. the goods ordered by you on the 26th May were despatched as instructed on the 27th by Southern Railway Goods Train and should have reached you not later than the 29th on inquiry we are informed that a serious breakdown occurred at Redhill on the 28th and that the work of clearing the line is still proceeding we understand however that traffic is resumed so that by the time this letter reaches you the goods will probably be in your hands Yours truly J. Broadbent and Sons per C. Finch.

30. A person arrives at Southampton from South Africa on his way to Nottingham. Draft a suitable telegram announcing his arrival, indicate the charge for sending it, and state what towns the traveller would pass through on his railway journey.

CHAPTER V

INVOICING; THE CARE OF INWARD AND OUTWARD INVOICES

An Invoice (the commonest document used in business) is a written statement sent by a seller of goods to the buyer setting forth the quantity (weight, measurement, or volume), price, and nature of the goods. The following is a Paper-maker's invoice:

TELEPHONE NOS.
BANK 274 (3 LINES).
CENTRAL 1826.
TELEGRAMS:
CODES: Western Union, A B C, 5th edition.

No. 8706.
112 UPPER THAMES ST.,
LONDON, E.C.
1 *Feb.*, 1935.

Messrs. Macdonald & Evans, London.

Bot. of DUNCAN McGOWAN & CO.,
Wholesale and Export Stationers and Paper Makers.
MILLS: AUCHMILL, ABERDEENSHIRE.

TERMS.
5 % 1 *Mo.*

MARKS	BALES	REAMS			£	s.	d.
		2½	*Dbl. Crown Bare M.F.* 40 *lbs.*, 516*s.*	8/4	1	0	10
		16	*Ant. Ld. D/E quad F'cap.* A.M. 64	16/-	12	16	0
		19	*Crmy. Ptg. Quad Crown* 100 *lbs.*	20/10	19	15	10
		37½	*J.A. Qd. Demy* 35 × 45, 144 *lbs.*, 516*s.* . .	27/-	50	12	6
					84	5	2
			To the Plantin Press, Wolverhampton				
			19 *Pairs Boards* . .	4/- *net*	£3	16	0

The circumstances under which the above has arisen may be stated as follows: Duncan McGowan & Co.'s representative called upon Macdonald & Evans—my publishers—and, having submitted samples of particular papers, received an order for the goods mentioned in the invoice to be sent to the printers—the Plantin Press, Wolverhampton. Duncan McGowan & Co. duly forward the goods ordered, and thereupon send to Macdonald & Evans an invoice showing the quantity, description, and price for each class of paper and stating, in addition, the terms on which the goods were bought, viz. "monthly account, less 5 per cent. discount." As soon as they received this invoice Macdonald & Evans checked off the particulars with the carbon copy of the order in their order book, and found both to be in agreement. There was still a possibility that the goods supplied might not correspond with the quantities and description on the invoice, but to guard against this, it is the custom of printers to send out a specimen sheet of each lot of paper received, with a note giving particulars of weight per ream, number of reams, etc. Had the goods been received at Macdonald & Evans' offices this would not have been necessary as the goods would have been checked by their own warehouseman. The quantities and description of the papers having been found correct, the extensions and casting of the invoice were checked, and the invoice was entered in the Bought Journal and then filed for future reference, if necessary. Had any discrepancy been discovered between the invoice and the goods the fact would have been immediately brought to the notice of Duncan McGowan & Co. If the goods sent had been in excess of those charged for, they would be expected to remove the surplus at their own charges; if in deficiency, to make it good. Should the paper have been found not to answer the description of that invoiced, Messrs. McGowan & Co. would be called upon to substitute the correct for the incorrect description, again at their own charges, while in extreme cases it would be open to Macdonald & Evans to refuse acceptance of the paper and even to sue for breach of contract and damages. If the prices, or extensions, or casting of the invoice had been incorrect, it would have been returned to Messrs. McGowan, who would be asked to send a corrected invoice, or, if the invoice had been undercharged, to send a debit note for the difference, or a credit note should it have been overcharged.

In addition to stating (1) *the quantity*, (2) *price*, and (3) *description* of the goods sold, and as in the case above (4) *the terms* also, an invoice frequently indicates (5) *the method of forwarding the goods*, (6) *the cost of carriage*, and (7) *the cost of packing*. But, in the case of goods bought and sold in this country, the packing and forwarding charges are usually borne by the sender and though a charge may be made for cases, crates, barrels, bottles, etc., these charges are afterwards credited to the buyer if the cases, crates, etc., are returned to the sellers in good condition. In the home trade, then, the invoice generally discloses not a *Loco price*—*i.e.* a price for the goods as they stand in the seller's warehouse—but a price which includes the cost of packing and delivery to the warehouse of the purchaser.

Duplicating Invoices. The method of dealing with outward goods, *i.e.* goods sold, varies with different firms. (1) In some firms all orders are entered as received in a Sales Journal, and the invoices are afterwards typed or written out from the Journal—the entries in the Journal being posted to the debit of the personal accounts in the Goods Sold or Debtors' Ledger. (2) In others, the invoices are typed or written out from the orders, and then press-copied in an Invoice Book—the invoice book being used as a Sales Journal. (3) Some firms, again, use carbon manifold Invoice Books—the separate Invoice Books containing the carbon copies being used as Sales Journals. (4) Others again type all invoices in duplicate, numbering them in rotation, send the original to the customer, and file the duplicates in numerical order between stout covers—the filed copies forming a kind of Loose Leaf Sales Book. All invoices should be sent out the same day as the goods are despatched, and checked before they are sent out. In small firms the checking is done by the person who makes out the invoices, but in large firms the checking should preferably be done by another clerk. In many trades the invoice is enclosed in the parcel containing the goods, but in others, those *e.g.* dealing in bulky goods packed in bales, crates, cases, or sent loose, protected by straw or other soft material, in open trucks, the invoice is sent separately. In addition to the invoice, a note called an *Advice Note* or *Despatch Note* is commonly sent to buyers advising despatch of the goods bought and giving the conveyance.

Care of Inward Invoices. Inward invoices for goods bought should immediately be checked against the goods, and the prices, extensions, and castings verified as before described. If the invoices are found to be correct, or if originally incorrect and they have been subsequently corrected, (1) they may, as is the practice in some firms, be entered into a Bought Journal—the different items in the Bought Journal being subsequently posted to the credit of the personal accounts in the Bought or Creditor's Ledger, and the invoices themselves either docketed or filed in a filing cabinet. (2) Another way of treating them would be to number them in rotation as received and file them in numerical order between stout boards, thus forming a Loose Leaf Bought Journal—the different invoices composing it being posted to the Bought Ledger. (3) They might be folded and pasted into a *Guard Book*, which is a book composed of leaves of cartridge paper, numbered in rotation and ruled on the right hand side with columns, one for the page of the ledger to which the invoice is posted, and one for *£ s. d.* for recording the amount of the invoice. (4) They may be provisionally filed alphabetically and in order of date in a filing cabinet and periodically (say once a month) removed from the cabinet—the invoices of each separate firm being tabbed together with a statement at the top showing the dates, amounts and total of the invoices in each tabbed bundle. The totals only of the monthly packets are entered in the Bought Journal and subsequently posted to the credit of the personal accounts in the Bought Ledger. The tabbed bundles are afterwards filed in a filing cabinet.

Checking Invoices. In many firms the inward invoices, on receipt, are stamped with a rubber stamp somewhat as follows:

Invoice checked by

....

Entered by

....

The checking clerk initials the first line, and the clerk who enters the invoice the second, the latter taking care that no invoice is entered and filed unless the first line has been duly initialled.

Pro Forma Invoices. (1) It sometimes happens that a trader gives up possession of goods to another before they have actually been sold, *e.g.* a merchant may consign goods to an agent who is to sell them on the merchant's behalf and account to him for the proceeds when the goods have been sold. In such cases the merchant sends a specialised form of invoice, termed a Pro Forma Invoice, to the person to whom he consigns the goods. This form of invoice states the actual quantities and description of the goods consigned, but the priced particulars are merely formal particulars designed to give the consignee (*i.e.* the person to whom the goods are consigned) an indication of the price that would be satisfactory to the merchant who entrusts him with the sale of the goods, or the minimum price at which the agent may sell them. The actual prices realised on sale may be more or less than the pro forma prices and are only known to the owner of the goods when his agent sends him the *Account Sales* (*see* p. 153, etc.) which gives the actual prices obtained for the goods. If the goods are sent on consignment to an agent abroad the amount of the pro forma invoice is the amount declared to the Customs authorities as the value of the shipment. (2) A merchant who contemplated handling a line of goods with which he was unfamiliar, or who had been asked to estimate for goods, might make out an order, send it to a manufacturer, and ask him to submit a pro forma invoice. In this case the pro forma invoice would give accurate priced particulars and show the discounts and any other deductions or charges involved in filling the order. The receiver of such a pro forma would thus be enabled to see whether he could profitably handle the goods and the probable extent of his profit. This sort of pro forma differs in no way from an ordinary invoice except that it is marked "Pro Forma," but it is not, of course, entered to the debit of the person to whom it is sent as would be the case if an actual sale had taken place. (3) A firm receiving an order from another firm with whom they had not previously done business, or receiving an order too small to be entered in the books of account, would address a polite note to the firm sending the order stating the facts and enclose with it an invoice marked "pro forma," meaning thereby that the goods as invoiced would be forwarded on receipt of the amount. In this case also no debit would be made in the books of the firm sending the pro forma. In both (2) and (3) a duplicate of the pro forma would be kept for reference purposes by the firm sending it, to ensure that, if a definite order for the goods were subsequently received and the customer omitted to return the pro forma, the invoice would be an exact copy of the pro forma.

Debit Note. In cases where an invoice has been sent out and it is afterwards discovered that the invoice is incorrectly extended, or cast, or goods have been forwarded and short-invoiced, so that too little has been charged, the matter is put right by sending the customer a debit note for the difference. If the journal entry has not been posted, the incorrect invoice entry may be cancelled, a corrected one made, and a corrected invoice sent to the customer with a letter explaining why it has been sent. A specimen debit note is appended:

DEBIT NOTE

14–16 CHARTERHOUSE SQUARE,
LONDON, E.C., *15th May*, 1935.

Messrs. S. W. Forsyth & Co., Birkenhead.

Dr. to JOHNS, SON & WATTS.

	To 12 tins mixed biscuits charged on Invoice 1/5/35 at 1/- should be 1/6. Difference			6	

Credit Note. A credit note is the converse of a debit note, and is sent by sellers of goods to rectify an overcharge in the original invoice, or when goods, cases, crates, etc., charged on the invoice, have been returned by the buyers to the sellers. Credit notes are printed in red ink, and are posted to the credit

CREDIT NOTE

TELEPHONE NOS.
BANK 274 (3 LINES).
CENTRAL 1826.
TELEGRAMS.
CODES: Western Union, A B C, 5th edition.

No. T 771
112 UPPER THAMES ST.,
LONDON, E.C.
3 *Mar.*, 1935.

Cr. by DUNCAN McGOWAN & CO.,
Wholesale and Export Stationers and Paper Makers.

MILLS: AUCHMILL, ABERDEENSHIRE.

TERMS—*net.*

			£	s.	d.
	By 19 Pairs Boards returned direct . .	4/-	3	16	0

of the personal accounts in the Sold or Debtor's Ledger, and appears at the foot of the statement of account, from the amount of which they are deducted (*see* p. 118). On p. 79 is a copy of the credit note sent by Alexander McGowan & Co. to Macdonald and Evans in respect of the 19 Pairs of Boards used for forwarding the 19 reams of Creamy Printing, Quad Crown, 100 lbs., and returned by the printers to the papermakers (*see* p. 74).

Selling Weights. Only the actual weight of the goods sold is charged for on an invoice. If the student will look through the specimen invoices in this section, see for *e.g.* the invoice of Masters & Stewart (p. 87), he will see that 9 chests of tea have been invoiced, the actual weight of which, as packed, is 9 cwts. 3 qrs. 14 lbs.; the chests themselves, *i.e.* the chests without the tea, weighed respectively lbs. 19, 18, 18, 18, 16, 15, 17, 16, 15 = 1 cwt. 1 qr. 12 lbs. These separate weights are known as the *tare* of the chests. In addition to the tare it is the custom in the tea trade to allow 1 lb. per chest for draft = 9 lbs. Thus 1 cwt. 1 qr. 21 lbs. have been deducted from the *gross* weight of the chests of tea, *i.e.* the weight of the tea plus the weight of the empty chests and packing material used, and only 8 cwts. 1 qr. 21 lbs., *i.e.* the *net*, or actual, weight of the tea is charged for.

Tare is the weight of the case, bag, wrapper, etc., containing the goods. Every mark of goods (each consignment of goods from abroad bears a distinctive mark) is tared according to the custom of each particular trade. Generally speaking, in a consignment of 100 packages three would be opened and the cases weighed. If the consignment extended to 300 packages, 5 more, selected at random from Nos. 101 to 300, would be opened and weighed. Thus in 100 bales of wool the taring might be as follows:

	lbs.	ozs.
Bale No. 1	10	7
„ 8	10	12
„ 30	10	14
Total	32	1 ÷ 3 = 11 lbs. tare,

and the tare allowed per bale on the 100 bales would be 11 lbs. If the average goes over 8 ozs. a lb. is allowed. This is called *average tare*, and is a close approximation to the real tare. In the case of tea, however, the chests are opened and the contents spread upon the floors of the bonded tea warehouses, bulked and repacked. The tare allowed, then, when buying a chest of tea, is the actual weight of the chest, *i.e.* the *actual tare.**

Draft is an allowance over and above the tare, made by the seller to the purchaser of goods, to compensate for leakages in handling and possible inaccuracies in taring, etc. The amount of draft allowed varies with different trades, *e.g.* in the wool trade 1 lb. per bale is allowed to cover loss attributable to atmospheric conditions. In the tea trade 1 lb. is allowed for every chest or half-chest. In the case of coffee 2 lbs. per bag is allowed; raisins, 1 lb. for every 20 quarter-boxes; currants, 1 lb. for every 10 quarter-cases.

Discount. Goods are bought at List Prices, *i.e.* at prices advertised by the sellers in the goods lists which they send out to their customers and others. These list prices are, in the case of many trades, merely nominal prices, but in others they approximate very closely to the actual prices which the buyers must pay to the sellers.

It is, however, customary in all trades to make a greater or less reduction from the list prices. This deduction is termed a Trade Discount.

Trade Discount. In the case of wholesale firms dealing in produce, *e.g.* dried fruits, trade discount is not allowed, or only a very small discount, *e.g.* 1 per cent. on coffee, but in manufacturing concerns the trade discount varies from 1¼ per cent. to 50 per cent., or even more, according to the custom of the particular trade. The reason for this system of trade discounts lies in the fact that in most manufacturing trades the prices of the raw material from which the goods are made are subject to fluctuations; or, if the price of the raw material is stable, the prices of the manufactured articles themselves are subject to fluctuations caused either by the excess of the demand over the supply, or the excess of the supply over the demand.

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* The student will find mentioned in other books expressions such as *Estimated Tare, Customary Tare, Super Tare, Tret, Waste.* It may be said of estimated tare that when goods are entered and warehoused "for exportation only," it is possible when giving bond for their due exportation to arrange with the officer of Customs that instead of taring the goods as they would be tared for home consumption, the tare should be "estimated" or agreed upon. Further a merchant when buying goods might be willing to pay upon an "estimated" tare—the excess or defect of the estimate being rectified when the actual tare was known. But the other expressions are not used in modern business. The author can only account for their appearance in books professing to deal with Business Training upon the ground that many of these books show little or no trace of independent inquiry on the part of the compilers.

It is obvious that to alter the prices of a large number of articles to meet every fluctuation would involve the continual issuing of new trade catalogues. To obviate this labour and expense a manufacturer simply attaches a notice to his catalogue drawing his customer's attention either to the rise or fall in prices, and announcing an increase or a decrease from the list prices of 2½ per cent., 5 per cent., 10 per cent., etc., as the case may be. In this way the fluctuations in price are easily adjusted. The student may remember to have seen printed upon price lists a notice to the effect: *These prices are the prices in force at the time of going to press, and are subject to alteration without notice according to the fluctuations of the market.* See, also, Jones, Pearson & Co.'s invoice, p. 96, where 10 per cent. is added to cover the cost of the rise in raw material. Trade discounts are always deducted from the invoices so that the amounts posted to a particular customer's debit in the Sold Ledger are not the *List* or *gross selling* prices, but the *net selling* prices.

Cash Discount. When one trader buys goods from another terms of payment are arranged between them.

The following are some of the arrangements made:—*Cash with Order* (*C.W.O.*); *Cash on Delivery* (*C.O.D.*); *Spot Cash; Net Cash within* 3, 7, *or* 14 *days, one month, three months, six months, etc.; Cash less* 1, 1½, 2½, 3, 4, 5, 7½, 10, 12½, 15, or 20 per cent. *for payment within* 3, 7, *or* 14 *days, one, three, or six months; Monthly, Quarterly, or Half-yearly Accounts less* 1 *per cent. or any greater discount, prompt; Monthly, Quarterly, or Half-yearly Account less* 1 *per cent. or any greater discount for payment within* 3, 7, *or* 14 *days, or one or two months, after rendering.*

Cash with Order (C.W.O.) means that the goods must be prepaid; **Cash on Delivery** (C.O.D.), that the goods must be paid for on delivery; **Spot Cash,** that payment must be made on taking possession of the goods; **Prompt Cash,** is a somewhat elastic term, but it is generally understood to mean that payment must be made within fifteen days from the date of the invoice; "**1 per cent. 3 days,**" means that a discount of 1 per cent. will be allowed from the amount of the invoice if payment is made within three days of its date; "**1 per cent. monthly, prompt,**" means that a discount of 1 per cent. will be allowed from the amount of the statement if it is paid within from three to fifteen days of rendering; "**1 per cent. monthly, due 30 days,**" means that 1 per cent. will be allowed from the amount of the statement if it is paid within thirty days of rendering. Thus, when a trader sells to another trader goods to the value of £20 for "Cash less 5 per cent. within 7 days" he virtually says to his debtor, "if you will pay the amount of my invoice within seven days of its date I will accept £19 instead of £20 in full discharge of your debt." A cash discount, then, is an allowance made by one trader to another to ensure payment of an invoice or statement within a specified period of time. Another method of attaining the same object is shown on Ayton, Smith & Collier's invoice, p. 84, where the student will note the announcements that "Interest at the rate of 5 per cent. is charged on overdue accounts." I give below a few specimen invoices obtained from representatives in various trades; others will be found scattered throughout the book.

TELEPHONE . No. C 4586.
1875 GERRARD. LONDON, 31 *Mar.*, 1935.
TELEGRAMS : WOODBURY, LONDON. 14 OLD BURLINGTON ST.. W.

Messrs. Macdonald & Evans, London.

To WOODBURY'S, LIMITED,
Photo Engravers, Designers, Colour Printers, &c.
WORKS : CHALFONT ST. GILES, BUCKS.

All cheques and remittances to be sent direct to 14 Old Burlington St;, W., and crossed BANK OF ENGLAND.

TERMS NET. QUARTERLY ACCOUNT.

		£	s.	d.
6 *subjects by S.R.* 3 „ *John Willoughby* 1 „ *Panton* 10 *sets of* 3 *colour blocks* . .	£10	100	0	0
Printing 5000 *copies each of* 4 *sets,* 3 *colour blocks, on dbl. Cap. Art. with underlines in red, as per estimate* 15/3/1935 . .		25	0	0
	£	125	0	0

N.B. NOT RESPONSIBLE FOR LOSS BY FIRE. PROOFS ATTACHED are for the purpose of identification only, and should always be returned **with invoice when any question of error arises.**

REGISTERED TELEGRAPHIC ADDRESS.
" AYTON " LONDON.
TELEPHONES { NO. 2731 AVENUE
NO. 5319 CENTRAL.
HEAD OFFICE, 147 MINCING LANE,
LONDON, E.C.

11th Sept., 1935.

Messrs. Capel, Morris & Co., 26–29 *John St., Leicester.*

Bought of AYTON, SMITH & COLLIER, LTD.,
LONDON, CALCUTTA AND COLOMBO.

Oblige by giving Nos. and ship or date of invoice with clearing orders to avoid delay.

All Teas and Coffees in our keeping are protected from loss by fire and held as security for current accounts. Public Sale Conditions.

Interest at the rate of 5 per cent. charged on overdue accounts.

All Cheques sent by post should be crossed " Credit of Payee's account only."

							£	s.	d
	11 Bags Vera Paz Coffee								
	157	*1*	*2*	*18*	*3/2* *				
	8			*17*					
	9			*19*					
	60			*22*					
	1			*19*					
	2			*19*					
	3			*19*					
	4			*19*					
	5			*19*					
	6			*20*					
	7			*19*					
		18	*1*	*14*					
			1	*27*					
		17	*3*	*15*		at 152/-	135	18	4
1 Mo.						Less 1 per cent.	1	7	2
						£	134	11	2

* This signifies 3 lbs. tare and 2 lbs. draft per bag, but when calculating the Duty the draft is not taken into account. Draft allowance is an arrangement between buyer and seller and is not recognised by the Customs authorities. The following document is a Duty Note debiting Capel, Morris with £4 11*s*. 3*d*. for duty paid on their a/c by Aytons in respect of the first two bags cleared from Bond.

REGISTERED TELEGRAPHIC ADDRESS.
" AYTON " LONDON.
REGISTERED { NO. 2731 AVENUE
TELEPHONES { NO. 5319 CENTRAL.

HEAD OFFICE, 147 MINCING LANE,
LONDON, E.C.
11th Sept., 1935.

Cash advanced for *Messrs. Capel, Morris & Co.*

By AYTON, SMITH & COLLIER, LTD.,
LONDON, CALCUTTA AND COLOMBO.

Oblige by giving Nos. and ship or date of invoice with clearing orders to avoid delay.

All Teas and Coffees in our keeping are protected from loss by fire and held as security for current accounts. Public Sale Conditions.

Interest at the rate of 5 per cent. charged on overdue accounts.

All Cheques sent by post should be crossed " Credit of Payee's account only."

	2 Bags Vera Paz Coffee *157/8—3 1 1*	@ *28/-*	*£4*	11	3

INVOICE

THE PLANTIN PRESS,
WOLVERHAMPTON,
15 *April*, 1935.

Messrs. Macdonald & Evans, London.

To ALLANSON & BARTON, LTD.

TERMS: 5 PER CENT. MONTHLY.

			£	s.	d.	£	s.	d.
		To 5000 Copies " Winton's Experiment " 12 sheets of 32 pp.						
		Composition, 12 sheets at £3/9/- as per estimate . . .	41	8	0			
		Additional for small type and advts.	2	10	9			
		Upmaking from slips, 12 sheets at 8/-	4	16	0			
		Author's corrections . . .	5	6	9			
		Composition of underlines and press-work	1	5	6			
		Press-work of 12 sheets = 12 Rms Qd. at 18/- . . .	10	16	0			
						66	3	0

Messrs. Graham & Wallis,
240 Caledonian Road, N.

105 Philpot Lane
London, E.C.
25th Jan., 1935.

Folio *D* 310.

TELEGRAPHIC ADDRESS:
"EXCURSIVE, LONDON."

TELEPHONE:
NO. 1465 CENTRAL.

Bot. of HARRIES, LANEHAM & CO.

Sugars are sold upon the terms contained in the Printed Conditions of the London Wholesale Sugar Dealers' Association.

CHEQUES TO BE CROSSED "LLOYDS, LIMITED."

TERMS: 1 *Month* 1 *per cent.*

INTEREST AT 5 PER CENT. PER ANNUM FROM EXPIRATION OF PROMPT.

B.P.	*5 Bags Demerara*						
	714	*2 0 24*	*3/1*				
	5	*2 1 3*					
	6	*2 0 27*					
	7	*2 1 0*					
	8	*2 1 2*					
		11 1					
		20					
				11 0 8 at 32/9	*18*	*2*	*8*
Imperial	*3 Bags Castor*						
	122	*6 0 3*	*2*				
		6					
				5 3 25 at 34/6	*10*	*6*	*0*
					28	*8*	*8*
				1 per cent. disc. allowed only for payment within 1 month		*5*	*8*
				£	*28*	*3*	*0*

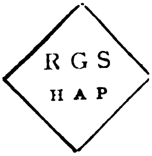
121 Great Tower Street,
London,
8th *Jan.*, 1935.

***Bought by** Mr. James Glover,*
High Street, Leeds.

Of MASTERS & STEWART.

Payment : Prompt** 3 **Months.

All Warrants in our hands are covered by our insurance, and held as security for current accounts.

	*9 Chests Assam Fannings* *× City of Benares*							
	4609	1	0	15	19/1			
	10	1	0	12	18			
	1	1	0	12	18			
	2	1	0	15	18			
	3	1	0	9	16			
	4	1	0	6	15			
	5	1	0	12	17			
	6	1	0	10	16			
	9	1	0	7	15			
		9	3	14				
		1	1	21				
		8	1	21	@ 1s. 6d £	70	17	6

TELEGRAPHIC ADDRESS :
"BELLONA, LONDON."
TELEPHONE NO. 359 HOP.

South Lambeth,
London, S.W.
18th *Jan.*, 1935.

Messrs. Hocking & Sears, Mayfair.

Bought of WORRALL AND JOHNSON,

Wine Importers and Spirit Merchants.

12 Doz. Brown Seal Port @ 40/-	24	0	0
12 „ Yellow Tarragona @ 25/- . .	15	0	0
12 „ Mauve Port @ 26/-	15	12	0
6 „ Red Burgundy @ 30/- . . .	9	0	0
£	63	12	0

INVOICE.

DALE ROAD, BERMONDSEY,
LONDON, S.E.

FELLOWES BROTHERS & CO.

Manufacturers of Enamels, Paints, Varnishes, etc.

TELEGRAMS—" LOQUAL, LONDON."
TELEPHONE—NO. 1596 HOP.

Sold to *Messrs. James Brown & Son,*
Queen Victoria Street, E.C.

Each Packet marked on bottom with our Order Number.

D/D *To Stores*

Date 18.6.1935. per *Van* carr. *Pd.* Terms *usual.*

Our Order No. 75470	Your Order No. 500	Price	Extension			Packages			Total		
20 cwts.	Red Paint R.F.U. .	ton £30	30	0	0						
	20–6 gall. Iron Drums .	4/-				4	0	0			
Mark Stores.	Each Gr. 1.0.13 Tr 13 lbs.							£	34	0	0

Packages must be paid for, but allowed when returned free into works in good order.

TELEPHONE NO. 5824
TELEGRAMS, "COLLSON, MANCHESTER"

16 CANNON ST,
MANCHESTER,
1st Dec., 1935.

Messrs. Richardson, Whittaker & Co., Ltd.

Bought of **W. C. COLE & SONS, LTD.**

Manufacturers of the Royal Turkish Towels

Turkish Towels, all descriptions in Cotton and Linen, Turkish Bath Blankets, Terry Cloth, Bath Gowns, Huckaback, Honeycomb and Fancy Towels and Towellings, etc.

			£	s.	d.	£	s.	d.
0/X27260	Item W. H. E.							
	4 Doz. 3XI White Cotton Turkish Towels . . .	6/6	1	6	0			
	7 Doz. 340 White Cotton Turkish Towels . . .	26/6	9	5	6			
	2 Doz. 203X Cairo Cotton Turkish Towels . . .	47/-	4	14	0			
	2 Doz. 6X White Cotton Turkish Towels . . .	22/6	2	5	0			
	2 Doz. 6X1 White Cotton Turkish Towels . . .	27/-	2	14	0			
	6 Doz. XCK Grey Sultan Cotton Towels . . .	14/6	4	7	0			
	2 Doz. 932 Grey Sultan Cotton Towels	25/-	2	10	0			
	1 Pce. YC Grey Cotton Rollering, 39 yds. . . .	9½*d.*	1	10	10			
						28	12	4
		2½%					14	4
					£	27	18	0

Sent by L. & N.E.R. carriage paid to Warehouse.

London : 40 Gutter Lane
Manchester : 23 Piccadilly
Glasgow : 5 Newton Street
New York : 89 Broad Street

14 **Brunswick St.**,
BELFAST,
1st June, 1935
TELEGRAPHIC ADDRESSES:
PARTY, BELFAST
TOMAS, LONDON
PATER, N.Z.

Messrs. Willcox & Sons, London

Bought of **J. THOMAS & PARTNERS, LTD.**

All payments to be made direct to Belfast

			£	s.	d.	£	s.	d.
26″ Linen and Cotton G. Cloth R. 70	4. 202							
,, ,, ,, ,, B. ,,	2. 101½							
	6. 303½	3¼	4	2	2			
27″ ,, ,, ,, R. B17	4. 191							
,, ,, ,, ,, B. . .	2 95½							
	6. 286½	3½	4	3	6			
24″ Linen Glass Cloth R. L75 . .	3. 143½							
,, ,, ,, ,, B. ,, . .	1. 148							
	4. 291½	4¼	5	3	3			
26″ ,, ,, ,, R. L80 . .	3. 139½							
,, ,, ,, ,, B. ,, . .	1. 43							
	4. 182½	4½	3	8	5			
26″ ,, ,, ,, R. L100 . .	2. 86½							
,, ,, ,, ,, B. ,, . .	1. 40							
	3. 126½	5⅝	2	19	4			
47″ Linen and Cotton Dowlas D41 .	2. 104	6	2	12	0			
			22	8	8			
	3½ per cent.			15	8			
					£	21	13	0

One case sent to office country packed, Carriage Paid on one case, returnable.

TELEPHONE: MANCHESTER OFFICE, 29 MAJOR STREET,
NO. 3359 MANCHESTER OLDHAM,
NO. 98 OLDHAM *16th May*, 1935.

Messrs. Turner, Sons & Co., Liverpool.

Bought of J. & P. BAYLEY, LTD.

Spinners' Manufacturers of

White-Grey Fancy Turkish Towels, Honeycomb and Huckaback Towels, Bath Blankets, Terry Cloths, Rollerings, Dusters, &c., Bleached, Twill, and Plain Sheets and Sheeting.

No deduction will be allowed from the amount of this Invoice except seen and agreed to.

			£	s.	d.
0/3229	*Item S.M.H.*				
	3 Pces. Sheeting 54″ CW30 1/62, 1/63, 1/64½ = 189½ yds.	12¾	10	1	4
	3 Pces. Sheeting 70″ CW35 2/61½, 1/62 = 185 yds..	18¾	14	9	0
	3 Pces. Sheeting 80″ CW35 2/61, 1/60 = 182 yds..	21	15	18	6
			40	8	10
	Less 3 %		1	4	4
		£	39	4	6

One case sent to office country packed, Carriage Paid on one case, returnable.

TELEPHONES { 7456
7457
TELEGRAMS : FELTONS, MANCHESTER

66 OLDHAM STREET,
MANCHESTER,
1st June, 1935.

Messrs. Crossley & Bros. Ltd., London.

Bought of THE FELTING ASSOCIATION, LTD.

Felt Manufacturers, Dyers and Printers.

						£	s.	d
0/38206	Item D.E.K.							
	8/4 S718. Superfine Felting	4432½ CH	103	29				
	1 damaged	4345	4	29				
	1 "	3987	19	30				
	1 "	7467	44	29				
	2 "	7774	70	29½				
		2327½	7	29½				
	1 "	0169	83	31				
		4673	13	30½				
	1 "	4952½	93	30				
	1 "	3890	15	31				
				298½				
	Less 8 damages ½ yd. each			2				
				296½	3/3	48	3	8
	Less 3 % prompt cash					1	9	0
					£	46	14	8

One case sent to office country packed, Carriage Paid on case, returnable.

TELEPHONE NO. 1642
TELEGRAMS: JUBBON

16 Moor Street,
GLASGOW,
18th June, 1935.

Messrs. Westchurch & Co., Ltd.,
15–16 Fore Street, London, E.C.

Bought of **FREDERICK JUBB & SON, Ltd.**

TERMS 10 PER CENT., AND 2½ PER CENT. DISCOUNT, PROMPT CASH.

				£	s.	d.			
28 in.	3	86½ Yds. Green Cotton Blindings .	7⅛	2	11	5			
32	3	90½ ,, ,, ,, .	7⅞	2	19	5			
34	3	88 ,, ,, ,, .	8⅛	2	19	7			
36	6	183 ,, ,, ,, .	8½	6	9	7			
38	3	85½ ,, ,, ,, .	9	3	4	2			
40	3	91½ ,, ,, ,, .	9½	3	12	5			
				21	16	7			
			10%	2	3	7			
				19	13	0			
			2½%		9	10			
						£	19	3	2

One case sent to office country packed, Carriage Paid
on one case, returnable.

TELEPHONE:
NO. 34 HALIFAX
TELEGRAMS: DARNER

London Warehouse: 17 Moore Lane, E.C.
Glasgow Warehouse: 882 Graylen Street

TENTER CROFT MILLS, HALIFAX
3rd December, 1935.

Messrs. Duckworth & Smith Bros., Ltd.

Bought of **GOODAIR & DEARDEN, LTD.**

Manufacturers of Bee Hive and White Heather Scotch Fingerings, Wheelings, Knittings and Fancy Wools, Beehive and Capstan Soft Knittings, Manufacturing and Hosiery Yarns.

			£	s.	d.			
0/3453	H.528.							
	In ½ Spindles. Net weight tickets.							
	Case 4/10 × 2/7 × 3/- 3-0-17	26/-	1	6	0			
	1 Spdl. 51 Petticoat Fingering	80/-	4	0	0			
	10 Spdl. 51.52.353.73 4-ply Soft Merino	33/-	16	10	0			
	7½ 1 ½ 1							
	23½ " 52.51.53 4-ply Fingering	50/-	58	15	0			
	15 7½ 1							
	3 Boxes 51 Lady Betty Fleecy	11/-	1	13	0			
	1 Box 900 Ivorine	8/8		8	8			
	3 Boxes 51 Shetland	11/-	1	13	0			
	2 Boxes 51 Andalusian	11/-	1	2	0			
			85	7	8			
		10%	8	10	9			
			76	16	11			
		2½%	1	18	4			
					£	74	18	7

One case sent to office country packed, Carriage Paid on one case, returnable.

TELEGR. "GEFYR, BERLIN." Insel-Str. 91, Berlin S.
18*th Dec.*, 1935.

Messrs. William North & Sons, Manchester.

Bought of BLUM & RUDENBURG

O/S. 24657. Item M.E.H.

			£	s.	d.			
Nos. 5–6	Berlin Fingering Wool							
	12½ Cream White 3445 .	23/4	14	11	8			
	1½ Black 3446 . . .	22/8	1	14	0			
	2½ Blue 3020 . 22 . 28 . . 1 ½ 1							
	3½ Scarlet 3110 . 12 . 14 . 16 1 ½ 1 1							
	½ Myrtle 4414							
	½ ,, 4415							
	½ Violet 4576							
	½ ,, 4570							
	½ Fawn 3599							
	½ ,, 4107							
	½ Blue-grey 4579							
	9½	24/8	11	14	4			
	1 Navy 494							
	½ New Rose 4823							
	1½	26/-	1	19	0			
	1 spindle = 4 lbs.		29	19	0			
	2½ % discount . . .			15	0	29	4	0
	2 Cases . .					1	0	0
					£	30	4	0

Country of origin, Germany. The cost of carriage from factory to port of shipment amounting to 12s. has been included in the price of these goods.

No.	Gross wt.	Measurements.
5	104 kg.	43¾ 36½ 34 ins.
6	100 kg.	

Certified correct,
(sd.) Blum & Rudenburg

London Office and Show Rooms
Bath House
21 Holborn Viaduct, E.C.

Summer Hill Glass Works,
STAFFS., 13*th Dec.*, 1935.

Messrs Thompson and Davies, Ltd.

Bought of JONES, PEARSON & CO.

N.B. We guarantee all our goods to be Best English Lead Glass

					£	s.	d.			
40 6″.	33468.	Crystal Vases	Per Dozen	18/-	3	0	0			
72 8″.	„	„ „	„	24/-	7	4	0			
80 6″.	38117½.	„ „	„	18/-	6	0	0			
80 8″.	„	„ „	„	24/-	8	0	0			
40 6″.	No. 37820.	„ „	„	18/-	3	0	0			
80 6″	37821.	„ „	„	18/-	6	0	0			
80.	No. 33994.	Flint Vases	„	6/9	2	5	0			
80.	25959.	„ „	„	6/9	2	5	0			
80.	26783.	„ „	„	6/9	2	5	0			
80.	26088.	„ „	„	9/-	3	0	0			
					42	19	0			
			Plus 10 per cent.		4	5	11			
					47	4	11			
			Discount 5 per cent.		2	7	3			
					44	17	8			
			„ 2½ „		1	2	6			
					43	15	2			
			Casks, 2 at 12/6		1	5	0			
								45	0	2

Per G.W.R. to your Warehouse.

Net wt.	Gross wt.	Measurement
141 lbs	3.1.20	28 × 42
183 „	3.2.0	48 × 42

Casks returnable and credit allowed in full

TELEGRAMS:
"CRAPES, NORWICH"
TELEPHONE NO. 123

IMPERIAL MILL,
NORWICH,
18th June, 1935.

Messrs. Bulwell, Basford & Co., Nottingham

Bought of GORLESTON & JONES

Silk Goods Manufacturers

TERMS: 2½ PER CENT., 30 DAYS

		yds		£	s.	d.			
722	3 Pces. Black Crêpe de Chine, 3 × 36	108							
„	2 Pces. Saxe „ 2 × 33	66							
„	1 Pce. Turquoise „ . . .	34							
„	1 Pce. Helio	36							
		244	3/11	47	15	8			
396	2 Pces. Navy Polonaise, 2 × 30 .	60							
„	2 Pces. Royal „ 2 × 36 .	72							
„	2 Pces. Sky „ 2 × 33 .	66							
		198	2/6	24	15	0			
496	1 Pce. Tussore	60	2/10½	8	12	6			
563	1 Pce. Black Grenadine . . .	36	5/6	9	18	0			
1842	1 Pce. Black Eolienne	33	2/9	4	10	9			
	Per L. & N.E. Rly., Carriage Paid					£	95	11	11

1353, Fourth Avenue,
NEW YORK,
1st April, 1935.

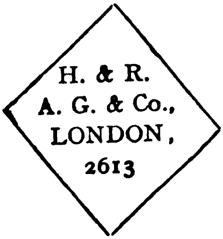
A. GARFIELD & CO.

Silk Goods Merchant

Sold to *Messrs. James Johnson & Co.,*
999 *Oxford St., London, W.* 1.

Doz.	No.	Colour.	Sizes.	Price.	£	s.	d.	£	s.	d.
			Silk Underwear.							
4	4001	White	1, 2, 3, 4	96/-	19	4	0			
4		Pink	1, 2, 3, 4		19	4	0			
1½		Black	1, 2, 3, 4		7	4	0			
4	4005	White	1, 2, 3, 4	96/-	19	4	0			
1½	4600	Pink	2, 3, 4	180/-	13	10	0			
2	5400	White	1, 2, 3	228/-	22	16	0			
3	4679	Black	1, 2, 3, 4	216/-	32	8	0			
1½	5679	White	1, 2, 3, 4	300/-	22	10	0			
3	5680	Green	1, 2, 3, 4	264/-	39	12	0			
2	5680	Grey	3, 4	300/-	30	0	0			
½	5680	Camel	1, 2, 3, 4	228/-	5	14	0			
4	5680	Blue	1, 2, 3, 4	96/-	19	4	0			
2½	2680	Black	1, 2, 3, 4	300/-	37	10	0			
1	5680	White	1, 2, 3, 4	264/-	13	4	0			
							£	301	4	0

Net Weight of Goods, 10 lbs. 5 ozs.
Legal Weight of Goods, 19 lbs. 2 ozs.
Gross Weight of Case, 64 lbs.
Dimension of Case: Length 20 ins., Width 18½ ins., Depth 14 ins.



Weight in this and the following invoice means the weight of the yarn undyed, and legal weight means the weight of the garments dyed and finished ready for sale.

1014, Second Avenue,
NEW YORK,
28th January, 1935.

GEORGE WASHINGTON & CO.

Sold to *Messrs. James Johnson & Co.,*
999 *Oxford St., London, W.* 1.

Doz.	No.	Colour.	Sizes.	Price.	£	s.	d.	£	s.	d.
			Cotton Underwear.							
½	8623/1	White	1, 2, 3, 4	32/-	0	16	0			
5	8623/1	White	2, 3, 4	38/-	9	10	0			
½	8623/3	Pink	1, 2, 3, 4	30/-		15	0			
4	8632/1	White	1, 2, 3, 4	34/-	6	16	0			
6	9260/1	Pink	2, 3, 4	15/-	4	10	0			
1½	8671/1	White	1, 2, 3	48/-	3	12	0			
10	9042/1	Pink	1, 2, 3, 4	15/-	7	15	0			
5	8232/1	Pink	1, 2, 3, 4	28/-	7	0	0			
5½	8236/1	White	1, 2, 3, 4	28/-	7	14	0			
1	9262/1	White	1, 2, 3	17/-		17	0			
4	9060/3	White	1, 2, 3, 4	12/-	2	8	0			
3	8340/2	Pink	2, 3	36/-	5	8	0			
½	8659/1	White	2, 3, 4	64/-	1	12	0			
3	8756/2	White	1, 2, 3, 4	76/-	11	8	0			
2	9704/1	Pink	2, 3, 4	21/-	2	2	0			
4½	9783/1	Pink	1, 2, 3	56/-	12	12	0			
								£84	15	0

Net Weight of Goods, 33 lbs.
Legal Weight of Goods, 49 lbs.
Gross Weight of Case, 78 lbs.
Dimensions of Case: Length 24 ins., Width 19½ ins., Depth 17 ins.

S. & W.
G. W. & S.
LONDON,
1464

T.A. "NUCLEUS, LONDON"
TEL. 1492 HOP

16 SPA ROAD, BERMONDSEY
LONDON, S.E.
20th Dec., 1935.

Messrs. Albert Smith & Co., Leicester

Bought of **THOS. BROWN & CO.**

Leather Merchants.

	£	s.	d.
10 doz. Black Box Calf Stout 1287 ft. @ 13*d*. per ft.	69	14	3
4 „ Coloured Box Calf Stout 469¾ ft. @ 14*d*. „	27	8	0
20 „ Pat. Calf @ 57/- per doz.	57	0	0
10 „ Waxed Calf II, 30 lbs. av. 296 lbs. @ 4/6 p. lb.	66	12	0
	220	14	3
2½ %	5	10	4
£	215	3	11

TEST PAPER VI

1. Define an Invoice. Does an Invoice in the Home Trade usually include a charge for carriage ?

2. Explain three methods of dealing with Invoices for Goods Bought.

3. Explain three methods of dealing with Invoices for Goods Sold.

4. What are Credit Notes and Debit Notes ? Under what circumstances can a Debit Note be dispensed with ?

5. Give the particulars usually stated in an Invoice.

6. What is a Pro Forma Invoice ? State the conditions under which such an Invoice would arise.

7. Explain Tare, Gross Weight, and Net Weight. What is Average Tare and Actual Tare ?

8. What is Draft ? Is it an invariable quantity ?

9. Explain Trade Discount and show how Trade Discount differs from Cash Discount.

10. Explain C.O.D., C.W.O., Prompt Cash ; net 30 days ; Quarterly % less 5 % ; 30 days, 1¼ % ; Spot Cash.

11. Explain the manner in which Average Tare is arrived at.

12. In what way are Invoices sent to customers ? How much does it cost to send an Inland Invoice ?

13. Calculate the following : 1½ % on £98 10*s*. 6*d*. ; 2½ % on £37 10*s*. 3*d*. ; 15 % on £58 5*s*. 11*d*. ; 12½ % on £196 8*s*. 8*d*.

14. Suppose you buy the following goods from Messrs. Barrett and Hopwood, 15 Eastcheap, London, E.C. 5 cases Tomatoes—2 doz. each case, @ 9*s*. 6*d*. per doz. ; 6 Cases Sardines 100 tins each case, @ 10*s*. 6*d*. per doz. ; 5 boxes French Plums, 28 lbs. per box, @ 78*s*. per cwt. ; 10 ¼-boxes Valencias, net weight 17 cwts 2 qrs. 5 lbs. @ 65*s*. per cwt. Make out an Invoice for the goods and deduct 1 % for prompt cash.

15. Suppose in the example above that 20 tins of sardines were found to be " blown," *i.e.* unfit for cansumption through decomposition. Write a letter to Barrett and Hopwood pointing out the fact and claiming credit for the blown tins.

16. Make out a Credit Note for the 20 blown tins such as you would receive from Barrett and Hopwood.

17. What is a Loco Price ? Is it usual to send Invoices with the goods ?

18. Explain the purpose of an Invoice.

19. Condense the following into a telegram and state the cost of forwarding it to each of the three persons whose names and addresses are given. " I can offer you 50 cases of Tate's No. 1 Cube Sugar at 45*s.* per cwt., f.o.r. Liverpool, subject to being unsold on receipt of your reply." (Signed) " Sweeter." To Brown, 57 High Street, Nottingham ; to Symes, 36 Fleet Road, Nottingham ; to Steele and Flint, The Broadway, Nottingham. (*West Riding C.C. Elem.*)

20. On March 2 A. Brown of Kidderminster purchases from Silver and Co. of Nottingham the following: 191 yds. Black Velvets at 3*s.* 8*d.* per yd.; 321 yds. Coloured Velvets at 4*s.* 5*d.* Make out in business form the invoice for the goods. Write a letter from Brown to Silver and Co., complaining of the quality and unsatisfactory finish of the goods and stating that the goods will be returned unless an allowance is made. On March 4th Brown returns 28 yds. Black Velvet at 3*s.* 8*d.* to Silver and Co. Make out Brown's debit note for the returns. (*Midland Counties Union Elem.*)

21. Arrange the following letter in proper form, correcting all mistakes: 26 princes rd chelsea. To Mr. Baker Dere Sur imeditely i got your letter i set about the work you order me to do but i find i shell not be abel to get it dune in the time you sed has their are meny more alterations nesessary than you think yours truely G. Clark.

(*N. Union of Teachers Elem.*)

22. Make out an invoice for the following, and deduct 5 % discount: ¼ doz. shirts @ 90*s.* ; 5 doz. half-hose @ 12*s.* 6*d.* ; 50 yds. lining at 1*s.* 6*d.* per yd. ; $\frac{1}{12}$ doz. blouses @ 30*s.* (*N. Union Teachers Elem.*)

23. Explain the abbreviations R/P. ; T.C. What would be the charge for the following telegram : " Phipps-Hornby, Oxford Place, Newport (I. of W.), Consols 55¼—55⅜. Canpacs 194$\frac{3}{16}$–194$\frac{5}{16}$. Cautious London."

CHAPTER VI

LETTERS, INVOICES AND ACCOUNTS—AN OBJECT LESSON

THE methods of dealing with Letters, Invoices, etc., have already been described generally, but inasmuch as these methods are somewhat modified in practice an actual exposition of the way such documents are dealt with in a modern manufacturing business may be helpful to the student. I will accordingly describe the methods used in the office of Messrs. Fellowes Bros. & Co., manufacturers of enamels, paints, and varnishes.

Post Inwards. All letters are opened by a principal and sorted into piles—(1) Letters, (2) Orders, (3) Invoices, Credit Notes, and Accounts, (4) Receipts, (5) Cash. The letters and orders (the latter are numbered in rotation as received) are stamped with a rubber dating stamp, and the piles are distributed amongst the clerks responsible for dealing with them. As the principal opens the letters he dictates the names of the correspondents and details of the letters, etc., to a correspondence clerk, who records them in a book kept for the purpose, the ruling of which is as shown on p. 103. The student will note that the Correspondence Book is also used as a postage book for recording the despatch of letters, telegrams, cablegrams, and parcels, the entries being so arranged that the record of each day's outward correspondence and parcels is confronted by the

RECD. 1 JULY, 1935.

ATTENDED
TO BY..................

CORRESPONDENCE BOOK (left-hand page)

Monday, 4th June, 1935.

FROM	INQUIRIES.	ORDERS.	MISCEL.	CASH.		
				£	s.	d.
J. Abbot & Sons	White Zinc. Pt.					
Wilson & Co.			Cheque	165	4	3
G. Elliot & Co.		1				

CORRESPONDENCE BOOK (right-hand page)

Monday, 4th June, 1935.

£	s.	d.		£	s.	d.
8	10	7	Brought forward Brought forward	6	5	8
			J. Abbot & Sons, 1½*d.*; Wilson & Co. ½*d.*; C. Jones, 1½*d.*			3½
			500 Statements, £1 0s. 10*d.*; 5 Advices, 2½d.	1	1	0½
			23 Invoices			11½
			Registered Letters—			
			Baylis			4½
			Telegrams—			
			James & Co.		1	0
			Parcels—			
			J. Abbot & Sons, 9*d.*; W. Thompson, 10*d.*		1	7
			Receipt—			
			Wilson & Co.			

record of each day's inward correspondence. The money received, and the amount expended for each day's postage, is totalled at the end of the day and carried forward, day by day, for a week. It is then balanced, the balance in hand being made up on the "imprest" method (*see* p. 113) to a round sum with which to begin the new week.

Outward Correspondence. The letters requiring attention are placed on a Shannon File. The correspondence clerk goes through the letters, notes on special forms the particulars required in order that each may be answered, and sends these forms to the Works Department, the Warehouse, the Forwarding Department, or the Laboratory, according to the nature of the information wanted. These forms, with the particulars attached, are duly returned to the Correspondence Department and the clerk then dictates the replies.

Let me suppose that Messrs. Fellowes receive one morning the following inquiry :

TELEGRAMS:
" GLACIAL, MANCHESTER "
TELEPHONE : 15906

18–20 PANTON STREET, MOSS SIDE,
MANCHESTER

5th June, 1935.

JOHN ABBOT & SONS

BUILDERS' MERCHANTS

Patentees of " Glacial " Sanitary Ware

In reply quote No. B6189
Dic. H. F. A. Typ. J. C.

Messrs. Fellowes Bros. and Co.,
Dale Road, Bermondsey, S.E.

Dear Sirs,

Please send us by return samples and analysis of your White Zinc Paint, and quote us for two-ton lots delivered to warehouse here. Also please state earliest time you can deliver from receipt of order.

Yours faithfully,
per John Abbot & Sons,
J. C.

The Correspondence Clerk fills up an " Information Wanted " form :

Date 6*th June,* 1935

INFORMATION WANTED.

Reply to be made on this Form.

By Office.............. From Laboratory..............

Order No... .... S. No. 654 S.I......

Please give makes for White Zinc Paint 80% *reduced and* 60% *reduced. To-day certain.*

On receipt of this form the chemist sends in particulars of the makes on a "make form" and from this form the costs are calculated. The make, together with instructions as to sampling, are entered in a manifold book, and the tear-out copy is sent to the department handling this particular class of goods, in order that the samples may be sent. When the samples have been despatched the make form is returned to the Correspondence Department, with particulars of the despatch of samples, etc. From this form the Correspondence Clerk dictates his reply as follows:

TELEGRAMS: "LOQUAL, LONDON."
TELEPHONE: NO. 1596 HOP

DALE ROAD,
BERMONDSEY, S.E.

6th June, 1935

FELLOWES BROTHERS & CO.

Manufacturers of Paints, Oils, and Varnishes.
Contractors to H.M. and Foreign Governments.

Messrs. John Abbot & Sons, 18–20 *Panton Street*
Moss Side, Manchester

Dear Sirs,

We are in receipt of your letter of the 5*th inst.* (*B* 6189), *for which we thank you. In reply, we have sent you to-day, per parcel post,*

1 *lb.* 80% *reduced W.Z.*
1 *lb.* 60% ,,

For 2-*ton lots delivered Manchester, within three days of receipt of order, we can quote you as follows—*

80% *reduced W.Z.* £13 10 *per ton*
60% ,, £14 10 ,,

Packages extra, but credit allowed in full if returned, carriage paid, in good condition.

We trust you will find the samples satisfactory, and that you can pass us the business. Soliciting a continuance of your orders,

We are,
Yours faithfully,
p.p. Fellowes Bros. & Co.
A. R. F.

H

The inquiry is then entered in an inquiry book.

INQUIRY BOOK

1935.	NAME AND ADDRESS.	NATURE OF INQUIRY.	REPLIED TO.
5th June	J. Abbot & Sons, 18–20 Panton Street, Moss Side, Manchester	W. Z. Paint	6th June

The right-hand side of the inquiry book is left blank in order that notes may be made. If the samples did not result in an order within a reasonable time a letter of reminder would be sent.

> *In compliance with your request dated the 5th inst., we had the pleasure of sending you on the 6th inst., samples of our White Zinc Paint. As we have not been favoured with any communication from you since, we write to inquire if you found the samples suited to your requirements. Should they have been found unsuitable we shall be glad to have the opportunity of forwarding other samples that may meet with better success. Kindly let us have word from you on the subject.*

A note of this letter would be made in the inquiry book on the blank page, and a note would also be made of any reply to it. It might happen that Abbot Bros. had not had time to test the samples. And the note would be " tests not complete " 18/6/35. If subsequently an order resulted the word " order " would be written against the inquiry, and the entry would be closed. If the order had passed Messrs. Fellowes because their prices were too high, the traveller would be informed of the fact, and instructed to find out, if possible, the name of the competing firm, and the price they tendered ; also if their samples were or were not of a lower quality than Messrs. Fellowes had offered to supply.

I will assume in the case under review that an order did result.

ORDER

No. 6189

10th June, 1935.

From

JOHN ABBOT & SONS

18-20 Panton Street, Moss Side,

Manchester

TELEGRAMS: "GLACIAL, MANCHESTER".
TELEPHONE: 15906

To Messrs. Fellowes Bros. and Co., Bermondsey, London, S.E.

QUANTITY	DESCRIPTION
	Please supply the undermentioned goods:
50 *cwts.*	80 *per cent. Reduced White Zinc Paint*
50 *cwts.*	60 ,, ,, ,, ,,
	As per your quotation dated 6*th June*, 1935 *and samples submitted*

REMARKS:

This order must be executed within three days of receipt, otherwise it is cancelled.
All goods to be forwarded by L.M.S.R., and consigned to our works, Meadow Lane, Moss Side, Manchester.
Advice Notes to Meadow Lane. Invoices to Panton Street,

per JOHN ABBOT AND SONS.
J. H.

This is numbered in rotation and handed with the other orders to the Order Clerk, who goes through the filing cabinet to ascertain the previous order, or the sample Order No., or the price paid, or whatever particulars are required for the Works Department and the Invoicing Department. All such memoranda are pencilled on the order, and the Invoice Clerk hands the order to the typist for the invoice to be made out. Invoice (1), Charge Sheet (2), (Messrs. Fellowes use loose-leaf ledgers, and these charge sheets, which are really duplicate invoices, are filed to form a day book). Commission Sheet (3), Geographical File Copy (4), Warehouse Order (5), Works Department Order (6), Despatch Receipt (7), Receive Note (8), and Traveller's Advice (9)—nine documents in all—are typed at one operation on an Elliott-Fisher Billing Machine. These nine forms are lightly glued together at the left-hand edge, and punched with two circular holes to fit over the studs projecting from the bed of the Billing Machine. Every morning the junior clerk insets a number of these pads of forms with carbon ready for the typist. The forms are not all of the same size, and only *Forms* 1, 2, 3 and 4 contain priced particulars—the carbon insets being of varying sizes and placed in correct positions for Duplicating. When the forms have been typed, Nos. 1–4 are separated from Nos. 5–9, care being taken not to break the glue which holds Nos. 1–4 together, as they have to go into the machine again. *Form* No. 5 is sent to the warehouse for the order to be executed. *Form* No. 6 is sent to the Works Department putting up the particular class of goods required. When the goods are ready they are sent to the warehouse accompanied by a duplicate Works Advice Form. The Head Warehouseman compares this Works Advice Form with Warehouse Order (Form 5), and if it agrees, fills in the name of the carrier, gross weight, tare, date of despatch and sends it with the Warehouse Order to the Order Department. The typist has now all particulars to complete Forms 1–4.

Form 1. The Invoice is checked by the Checking Clerk who initials it if correct; and hands it to the Postal Clerk to be sent off.

Form 2. The Charge Sheet is filed between stout leather covers from the lower of which project two steel rods, over which the punched charge sheet is passed, the whole being kept in place by the upper removable cover, hinged 2½ ins. from the left-hand edge to permit it being thrown back so that the charge sheets can be referred to. The charge sheets thus filed to form a kind of loose-leaf day-book or journal, are posted by the Ledger Clerk direct to a loose-leaf ledger, thus avoiding the twofold copying book incidental to the use of a day book or journal. Every month the total of the charge sheets is carried to a Sales account in the ledger.

Form 3. The Commission Sheet is used for calculating the traveller's commission, the traveller's initials being typed in upon the form. These forms are filed under the name of the particular traveller to whom they relate.

Form 4. The Geographical File Copy is filed away in an Amberg Cabinet under towns When a change of traveller occurs, or a traveller's district is enlarged, or the principal of the firm is going into a district where the firm is not represented, it is an easy matter to see what business is being done in a particular district, and to send such letters and advices as are necessary. The travellers always receive carbon copies of all letters addressed to the particular customers on whom they call, and also advices of the despatch of goods (Form 9).

Form 5. The Warehouse Order, with the Works Advice attached, is filed in the Order Department according to the Order No. on a similar plan to that used for the charge sheets. This file is indexed under buyers' names—the Order No. being the folio—and serves as an "Orders Received Book" for office reference.

Form 6. The Works Department Order is filed by the Works Department in a similar manner to that adopted for Form 5.

Form 7. The Despatch Receipt is handed to the carman, who gets it signed by the customer or customer's agent receiving the goods, as a receipt for the goods.

Form 8. The Receive Note is posted to the buyer as an advice of the despatch of the goods.

Form 9. The Traveller's Advice is, as already explained, posted to the traveller responsible for getting the order, so that he may know his order has been executed.

Filing Letters. All answered letters are filed in an Amberg Filing Cabinet—a cabinet similar in principle to, though differing in some details from, the Shannon described on p. 23—with the material for answering the letter, and the copy of the answer attached. A carbon copy is typed with every reply, and the carbon copy is sent to the traveller in whose district the correspondent resides. Periodically the Amberg File is cleared and the papers transferred to binding cases, which are dated and numbered and ranged in chronological sequence on easily accessible shelves.

Copying Letters. All letters are copied on a Roneo Rotary Copier.

Telephone Messages are recorded as described on p. 41.

Inward Invoices. All invoices are stamped on receipt as follows:

GOODS RECEIVED.

Quantity checked by..................

Price checked by.......................

Working checked by....................

Entered........ Folio......

The invoice is then handed to a clerk dealing with these invoices, who compares it with the Goods Inward Book kept by the Receiving Department.

GOODS INWARD BOOK

1935.	QUANTITY.	GOODS.	WEIGHT.	SENDERS.	CARRIERS.	DEPT.
19 June	2 Brls.	Linseed Oil	8 . 2 . 26	Baltic Oil Co.	Own van	Mill Room
	3 doz.	1 gal. Cans		J. Feaver	,, ,,	A.D.
	6 Rolls	Copying Paper		France & Co.	C.P. & Co. Pd.	Office

If the invoice agrees in all particulars with the record in this book the clerk initials the line: *Quantity checked by* . . . and also ticks off the record in the Goods Inward Book. The invoice is then handed to the buyer who checks the price, and, if correct, initials the line: *Price checked by* . . . Afterwards a clerk checks the calculations, and, if correct, initials the line: *Working checked by* . . . Should any inaccuracy be disclosed, the invoice is returned to the senders for correction. Every month the invoices are sorted, all those emanating from the same firm being tabbed together with the amounts of each invoice stated and totalled on a slip of paper attached to the tabbed bundles. These totals are then entered by the Purchase Ledger Clerk into a Purchase Journal, and from the journal posted to the Purchases Ledger. Thus instead of many entries there is only one per month for each firm. The invoices are then filed under the name of the firm in an Amberg Cabinet for invoices.

Purchase Accounts are checked from the invoices and, when paid, filed in the two or three divisions of the Invoice Cabinet devoted to that purpose.

Unexecuted Orders. Sometimes an invoice cannot be completed on the same day as the order is given to the Works Department. All such invoices are entered upon an unexecuted order list, and every day the head of the Order Department goes through this list with the manager of the department, thus keeping touch with all unfilled orders, and preventing them being overlooked or their execution delayed. Should any alteration be made in an order after it has been issued to the Works and Warehouse Departments the alteration is typed in duplicate upon a *green* form, and is sent to both departments. The green colour at once indicates that it is an alteration of an existing order and the form is attached to the original.

Export Invoices. Export orders requiring more than one invoice are treated exactly in the same way as home orders, the extra copies of invoices being typed on No. 1 forms, on the back of which the certificate of origin has been printed by means of a Remington Duplicator.

Multiplication of Commercial Papers. This is effected by a hand-worked Roneo Multiplier as described on p. 27, the names and addresses of the persons to whom the circular, etc., is sent being afterwards added on a typewriter in the same coloured ink as that used for multiplying the document.

Organisation of the Office. The student will note that though Messrs. Fellowes' business is divided into many departments: Laboratory, Works Department, Warehouse, Receiving Department (the Works Department being further sub-divided into different sections), yet all the correspondence and the general control of the business is centralised in one office so that the names of the customers and the prices at which they buy are known only to the central office, the Warehouse Department alone excepted, and all price particulars are withheld even from the warehouse.

---

1. Make out an invoice as from John Dawson and Co., Leeds, to Smith, Brown and Co., Manchester, for the following goods:

No. 2762, 1 piece, 56 in. Coating, x 27, 50 yds. @ 15*s*. 6*d*. per yd.
2763, 1 " " " x 35, 48 yds. @ 15*s*. 6*d*. "
2764, 1 " 28 in. Trouserings, 274, 47 yds. @ 25*s*. 9*d*. "
Terms 2½ % one mo. Per L. & Y. Rly. (*West Riding C.C.*)

2. Condense the following market report into suitable telegram form: Woollen and Worsted Trades. London, Friday. At the re-opening of the auctions here to-day buyers were in large attendance, and increasing animation was displayed all round, practically the whole of the catalogues being cleared on the full basis of values hitherto ruling. The offerings comprised over 14,000 bales, made up chiefly of merino wool suitable for Continental consumption, and, with the exception of a few of the best greasy parcels which were secured for America, fell to bids mostly on French and German account. The large assortment of greasy merinos from Sydney and Queensland included some well-grown clips, the former realising up to 25*d*., and the latter 24*d*. per lb.

(*Lancs. and Ches Union, Junior.*)

CHAPTER VII

COUNTING-HOUSE ROUTINE; PETTY CASH; OPENING, RENDERING, COLLECTING, RECEIPTING, CHECKING AND PAYING ACCOUNTS

It is not proposed in this section to deal with the ledgers and other books used in the counting house, but only with the general principles upon which counting-house work is conducted. Ledgers, cash books, bill books, etc., are more properly treated in a work on book-keeping, and for a full and authoritative exposition of this important subject the student is referred to " Book-keeping and Accounts " by L. Cuthbert Cropper, F.C.A., late Senior Examiner to the Royal Society of Arts and to the London Chamber of Commerce. Students who wish to carry their studies further will find all the material they require in Mr. Cropper's book, " Higher Book-keeping and Accounts."

Petty Cash. It is necessary in most businesses to keep a sum of ready money in the office in order to meet the small expenses inseparable from the conduct of every business. The money so kept is termed the *Petty Cash.* The control of the petty cash may either be in the hands of the cashier or a subordinate clerk. In large offices where the disbursements are numerous the petty cash is controlled by a subordinate, termed the *Petty Cashier.* The book in which the amounts received for petty cash and the sums disbursed are entered is termed the *Petty Cash Book.* This book is generally ruled in such a way that the sums paid away can be analysed under the various heads of business expense, and the amount which should be in the hands of the Petty Cashier at any moment can be seen at a glance. Sometimes small ledger accounts are paid from the petty cash, or amounts are paid away for furniture, tools, or other things which are marked as part of the *assets* of a firm. In such cases the Petty Cash Book includes a ledger column. A form of petty cash book is shown on p. 113. Column T1 is used for recording cash received; Col. T2 for entering the disbursements. Columns

PETTY CASH BOOK

Dr.			Cr.											Ledger.		
Date.	Details.		Date.	Details.	Total.	Telegrams	Postages.	Stationery.	Cleaning.	Fuel.	Gas and Electric Light.	Telephone Charges.	Sundries.	Account.	Amount	Folio.
		£ s. d.			£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s	£ s. d.		£ s. d.	
1935. Mar. 1	Cheque	50 0 0	1935. Mar. 1	Postage . .	0 3 6		0 3 6									
			„ 3	Brown & Co.	1 4 9			1 4 9								
			„ 6	Housekeeper, cleaning, and sundries . .	2 9 4				2 6 4				0 3 0			
			„ 8	H. Rose (extra discount paid him) . .	0 10 9									H. Rose	0 10 9	896
			„ 18	Housekeeper . .	6 0 2				5 4 2	0 12 0			0 4 0			
			„ 22	Telegrams .	0 5 6	0 5 6										
			„ 26	Postage . .	1 10 0		1 10 0									
			„ 29	Gas Co. to 31/12/34 .	4 2 5						4 2 5					
			„ 30	Trunk calls for month	0 7 9							0 7 9				
			„ 30	Sundry stationery .	0 1 4			0 1 4								
	Forward £	50 0 0		Forward £	16 15 6	£0 5 6	£1 13 6	£1 6 1	£7 10 6	£0 12 0	£4 2 5	£0 7 9	£0 7 0		£0 10 9	
		T 1			T 2	A	B	C	D	E	F	G	H		I	

Notes. If there were no further transactions during March, the following events would take place at the end of the month: (1) £16 15*s.* 6*d.* would be drawn from Bank and paid into the Petty Cash, thus raising the Petty Cashier's balance to its original figure of £50. (2) The totals of Columns A to H would be debited to their relative Impersonal Accounts in the Ledger. (3) The separate amount in Column I would be debited to H. Rose's Personal Ledger Account. (4) The whole of the analysis columns would be ruled off and a balance of £50 would be brought down in the debit cash column, whereupon a fresh start would be made.

A to I are used for analysing the entries in Col. T2. It will be noted that the totals of Cols. A to I are the total of Col. T2, and that the difference between Cols. T2 and T1 is the amount in hand. The Petty Cash Book is usually balanced by the cashier every month, the totals of Cols. A to H being posted to the debit of the relative Impersonal or Expense Accounts in the Ledger, and the separate items in Col. I being posted to the debit, either of the respective Personal or the respective Real Accounts in the Ledgers. When the Petty Cash Book has been balanced the total of Col. T2 is paid over by the Chief to the Petty Cashier, thus bringing the latter's balance, on the 1st of the new month, to the original amount with which he started. This arrangement of beginning the Petty Cash Book with a sum sufficient to meet probable requirements for a definite period of time (usually a month), and then at the end of the period balancing the Petty Cash Book and making good the amount expended during the period, so as to bring the balance up to the original sum, is termed the *Imprest Method*, and affords some safeguard against the improper use of petty cash. In small businesses the Petty Cash Book is not so elaborately ruled as the example shown, the analysis columns being dispensed with. The Petty Cashier should take care to obtain receipts for all amounts paid away.

Opening Accounts. (1) When an order to be executed on credit is received from an unknown firm with whom no previous transactions have taken place, it will usually be found that the firm gives the names of one or more members of the same trade, of whom inquiry as to the financial standing of the new firm may be made. In such cases the order is referred to the counting house, and is unfilled until the inquiries have been put through and satisfactory replies received.

(2) In other cases the new firm will furnish the names of their bankers and direct that inquiry should be made through them. A banker will only give references to another banker and in general terms, so that the firm inquiring must write to their own bankers and direct them to obtain the required information.

(3) If however the order is unaccompanied by any references, the firm sending it is politely requested to furnish references, or inquiry is made of one of the different firms of *Mercantile Inquiry Agents e.g.* Stubbs's or Kemp's, whose business it is to collect information regarding the financial status of mercantile firms whose names they keep in classified form in their registers.

These Mercantile Agencies have correspondents all over the country and also abroad, and when inquiry is made of any trader regarding whom they have no information the matter is referred to the correspondent in whose district the trader resides, and the agent, after discreet inquiry, sends a report to headquarters, the substance of which is duly passed on to the firm inquiring. Mercantile Agents charge an annual subscription of two guineas and upwards which entitles the subscriber to a stated number of inquiries per annum, and a copy of the Gazette which these firms publish. These *Mercantile Gazettes* are very useful to traders as they give detailed particulars of all Bankruptcies, Deeds of Arrangement, Bills of Sale, etc., and a variety of other information of commercial value. One great advantage of employing a Mercantile Agency is that the inquiries are made secretly, and that the firm subjected to inquiry is unaware that inquiry is being made. There is therefore no danger of giving offence to any one who may prove to be a reputable trader. I append a few sample letters applicable to the opening of new accounts.

TAKING UP REFERENCE

Private and Confidential

We have received an order from Messrs. James Howell and Co. of Wheelergate, Nottingham, who have given your name as a reference. Messrs. Howell state that they have had an account with you for a number of years, and we shall be obliged if you will kindly tell us, in confidence, whether or not you have found their account satisfactory, and if you would trust them to the extent of, say, £50 per quarter. We enclose stamped envelope for reply.

REPLY

Private and Confidential

In reply to your inquiry of   we beg to say that we have done business with Messrs. James Howell and Co. of Nottingham for over ten years now, and have always found them punctual in the discharge of their obligations. We should have no hesitation in giving them credit to a much greater extent than the amount you mention.

INQUIRY THROUGH BANKER

THE MANAGER,
Lloyds Bank, Ltd.

We contemplate opening an account with Messrs. Larking and Spurr of 16 City Road, E.C. They refer us to the Head Office of the Midland Bank, Ltd. We should be obliged if you would kindly inquire if it would be safe for us to trust them to the extent of £500,

REPLY

In reply to your letter of the   I have made inquiry of the Midland Bank regarding Messrs. Larking and Spurr and the reply is in the affirmative.

REQUEST FOR REFERENCES

We are in receipt of your valued order, dated the   , but you omit to give the necessary references, which as a matter of routine we always require when opening new accounts. If you will kindly repair the omission we will at once put the work in hand.

PRO FORMA SENT AFTER INQUIRY (unsatisfactory)

With reference to your order dated the   we beg to enclose herewith pro-forma invoice amounting to £   . The goods are ready for despatch and will be forwarded on receipt of your remittance.

MERCANTILE AGENT'S REPORT

Strictly Private and Confidential

Benson & Co. Liverpool	The sole proprietor of this firm is Mr. F. W. Benson He started business in 1904 with a small capital, and is considered to have made headway. Large credit is not advisable, but a small credit account up to £10 a month may be run with safety. His reputation with local traders is good.

Rendering Accounts. It is the duty of the ledger clerks to render periodically to the debtors of the firm statements showing the amount due from each. Statements of Account are necessary in order that a particular account as it stands in the Goods Sold Ledger of the seller may be periodically compared with the *corresponding* account as it stands in the Goods Bought Ledger of the buyer, and complications thus avoided. Accounts are made out from the Debtors or Goods Sold Ledger and rendered weekly, monthly, quarterly, half-yearly, or at periods synchronising with the traveller's calls, if it be the custom for the traveller to collect the accounts on his journeys. *An account* is a columnar statement giving the date and amount of each invoice for goods bought by a customer during the period covered by the account. The separate invoices are totalled, any credits for goods returned or allowances being separately enumerated at the foot of the statement and deducted from the total of the invoices. If the amounts of the invoices are *net*, *i.e.* if no settlement discount is allowed, the statement is marked "net." If a settlement discount is allowed its amount and the time limit for its allowance are stated. Usually a rubber stamp is used for this purpose, worded somewhat as follows:

THIS ACCOUNT IS STRICTLY NET, AND MUST BE PAID ON OR BEFORE THE 15TH JULY.

SUBJECT TO 2½% DISCOUNT IF SETTLED ON OR BEFORE THE 10TH APRIL, OTHERWISE NET.

THIS A/C IS NET AND DUE NOT LATER THAN 21ST JAN. INTEREST AT 5% P.A. WILL BE CHARGED ON ALL OVERDUE A/CS.

Sometimes such wordings are printed upon the statements. In other instances the terms of settlement are written upon them by the clerk who renders them, *e.g.*:

5% 1 *mo.* 2½% 7 *days.* *Quarterly*, net.

The settlement discount varies with different trades, and even with different customers in the same trade. It may happen that a customer has not paid the last account when the time for rendering the statement again comes round. In such cases the first entry upon the statement is *To account rendered* £20 10*s.* 6*d.*, or whatever the unpaid amount may be.

It may also happen that the previous account has only partially been paid and an outstanding balance still remains for settlement. In such cases the statement opens with the entry: *To Balance Brought forward* £10 9*s.* 8*d.*, or whatever the balance may be.

When rendering accounts to dilatory payers it is customary to gum on to the statement a small label, printed similarly to the specimens below.

THIS ACCOUNT IS MUCH OVERDUE, AND A SETTLEMENT IS REQUESTED BY RETURN.

AN IMMEDIATE REMITTANCE WILL GREATLY OBLIGE.

I give below two specimens of statements:

196 CORPORATION STREET,
BIRMINGHAM.
1st April 1936.

Messrs. Wm. Appleby & Co.,
14 *Wood Street, London, E.C.*

Dr. to HAYWARD & SIMPSON

		£	s.	d.
1935.				
Jan. 10	*To Goods*	*10*	*7*	*9*
„ *18*	„	*2*	*7*	*5*
„ *25*	„	*3*	*7*	*8*
Feb. 14	„	*7*	*5*	*3*
„ *23*	„	*4*	*1*	*7*
Mar. 29	„	*12*	*8*	*3*
		£ *39*	*17*	*11*

SUBJECT TO 10% IF PAID
NOT LATER THAN
15TH APRIL.

TEL. 1968 CENTRAL
TELEGRAPHIC ADDRESS:
"BENITO, LONDON"

18, 19, 20, 21, 22 TOTTENHAM COURT ROAD,
LONDON, W.C.
1st Jan. 1935.

Messrs. B. J. Sorley & Sons, 16 *Above Bar, Southampton*

***Dr. to* B. J. WOODHOUSE & BROTHER**

Terms 2½% ***Quarterly net.***

		2½%			NET.		
1934.		£	s.	d.	£	s.	d.
Oct. 1	*To A/c rendered*				*14*	*10*	*9*
„ *15*	„ *Goods*	*3*	*7*	*8*			
„ *18*	„	*2*	*4*	*1*			
„ *31*	„	*5*	*8*	*7*			
Nov. 14	„	*8*	*5*	*6*			
	1934	*19*	*5*	*10*			
	Nov. 3. By Rets. £1 5 6						
	„ *5.* „ *Credit 3 1*	*1*	*8*	*7*			
					17	*17*	*3*
				£	*32*	*8*	*0*

YOUR IMMEDIATE
ATTENTION WILL
OBLIGE

Statements of account may be sent in unsealed envelopes by halfpenny post, but it is often the custom to seal the envelopes and send them by letter post.

Accounts Rendered Book. When the Ledger Clerk has completed the work of making out the statements he enters them in a book, termed the *Accounts Rendered Book,* thus providing a record of the amounts due from debtors. This book is ruled somewhat as follows:

ACCOUNTS RENDERED

NAME.	ADDRESS.	AMOUNT.			WHEN DUE.	OVERDUE.			FOL.	REMARKS.
		£	s.	d.		£	s.	d.		
Appleton Bros.	Leeds	52	10	9	15th July				13	
Ashton & Sons	Newcastle	14	10	5	"	7	10	6	27	Wrote 1/7/1935

As the accounts are paid they are ruled through in red or the word "paid" is written in the remarks column. In this way track is kept of all accounts rendered, and slow payers can be reminded of their obligations without wading through the whole of the ledgers. When the due date for payment has passed, the Ledger Clerk goes through the Accounts Rendered Book and circularises all outstanding debtors with a printed *First Reminder Form,* which is worded somewhat as follows:

> We beg to draw your attention to our account rendered to June 30 last amounting to £ , which is now overdue, and to request the favour of an early remittance.
>
> Yours faithfully, etc.
>
> Messrs. Shipley and Co.,
> Birmingham.

After an interval of about ten days a printed *Second Reminder* form worded somewhat stronger than the first reminder is sent to remaining debtors:

> Permit us to remind you that our account rendered to last, amounting to £ , to which we drew your attention on , is still outstanding, and to request an immediate settlement.
>
> Yours faithfully, etc.
>
> Messrs. Shipley and Co.,
> Birmingham.

After a further interval of about ten days a printed *Third Reminder* form is send to all remaining debtors:

> We regret that our account rendered to last, amounting to £ , to which we drew your attention on the and the last has not yet been paid. Unless a settlement is made not later than next we regret we must take steps to enforce payment.

After a reasonable lapse of time beyond the date fixed for payment in the third reminder a letter is sent to all outstanding debtors:

> Being still without any reply from you with reference to our account rendered to last regarding which we have sent you three reminders, we are reluctantly compelled to say that we have now placed the account in other hands for collection.

"Other hands" may mean (1) that the account has been handed to the firm's solicitors, or (2) that it has been placed with one of the Mercantile Agencies, which, in addition to affording information regarding the status of firms, undertake the collection of long outstanding accounts.

The student is reminded that the procedure set forth above for the collection of accounts is not always regularly followed in commercial practice. Discretion must be used in this as in all things, and the course to be followed in any particular instance is largely determined by the circumstances of the case.

Giving Receipts. When accounts are paid by customers remitting through the post they go in the first place to the Cashier, who enters on the Dr. Side of his Cash Book (1) the name of the customer remitting, (2) the amount of the payment, (3) the discount, if any Having entered these particulars he retains the remittance, marks on the statement the amount of the cheque and the discount, and hands it to a clerk to be receipted, directing him in all cases where there is any discrepancy between the amount of the remittance plus the discount and the total of the statement, to consult the ledger clerk in whose ledger the account appears, and failing a reconciliation of the discrepancy to send a receipt *On Account.* Receipts are usually given by impressing upon the statement a rubber stamp, or upon small numbered adhesive forms printed in much the same style as the rubber stamp here illustrated, and bound up with counterfoils in book form. Both the counterfoil and the receipt are filled up, the receipt is detached from the counterfoil and stuck upon the account, and the counterfoil remains as a record of the amount received and other details of the settlement The adhesive form of receipt is much used by travellers and collectors of accounts, who must give receipts in the offices where the money is paid. But they are also in general office use, and frequently one sees statements of account bearing a direction to the effect that *all receipts are given on printed adhesive forms and none other can be recognised as valid.* Very commonly, however, receipts are given upon 8vo note headings printed with a form of receipt, the details being filled in by the clerk signing it, *e.g.* :

RECEIVED WITH THANKS.

BY CHEQUE	£14	10	9
BY DISCOUNT		8	10
TOTAL	£14	19	7

DATE 15TH MARCH 1935.
p. CHARLES FORDER & SONS

Charles Adamson
STAMP

WE BEG TO ACKNOWLEDGE WITH THANKS RECEIPT OF YOUR REMITTANCE VALUE *Fourteen* POUNDS *Ten* SHILLINGS *Nine* PENCE, BEING SETTLEMENT OF OUR ACCOUNT RENDERED TO 31*st December* LAST.

YOURS FAITHFULLY,
p. CHARLES FORDER & CO.

STAMP
Charles Adamson

CHEQUE *£14 10 9* DISCOUNT *£— 8 10*

Stamping Receipts. All receipts for sums of £2 or over must bear a 2*d.* stamp, or the equivalent value in stamps. The 2*d.* stamp may be embossed or adhesive. If adhesive stamps are used, they must be obliterated at the time of giving the receipt, otherwise the receipt is not valid and is inadmissible as evidence of payment. A penalty of £10 attaches to a giver of an unstamped receipt for any sum of £2 and upwards. The obliteration is effected by the clerk who gives the receipt signing his name across the face of the stamp.

Receipt on account. When the remittance received is the full amount due a receipt is given as on p. 121. This is called a *clean receipt.* But when the amount received is less than the amount due as shown by the statement of account, the words " being settlement of " would be scored through and the words " on account of " substituted. The substitution of these words, or the use of them when receipts are wholly handwritten, is an indication that the amount received is not accepted as a settlement of the whole of the amount due, but only of a part of it. Such a receipt is called a *qualified receipt.* If the amount received is more than the amount due the words " being settlement of our account rendered to 31st December last " would be deleted, and the words " which amount we have duly passed to your credit " written in their place. Receipted Accounts may be returned to their owners in unsealed envelopes by halfpenny post.

Checking Inward Accounts. As the accounts for goods bought come in, they go to the Cashier's Department to be checked. They may be checked from the Bought Ledger if the amounts of the invoices are separately enumerated there, or from the Bought Journal or the invoices themselves if the entries in the Bought Ledger are in monthly totals. When checking accounts care must be taken that only the net invoice amounts, *i.e.*, the gross amount less the trade discount (if any), appears on the statement, that the casting of the account is accurate, and that the full settlement discount, if any, is deducted. Should any invoices be found to be wrongly entered upon the statement, or items charged for which no invoices have been received, or items omitted to be charged, the account must be returned to the senders, the discrepancies pointed out, and a corrected statement asked for. Care must also be taken to see that the full term of credit agreed upon is allowed. It may happen that a quarterly account has been arranged for, and the account is sent in at the expiration of a month. In all cases where payment of an account is requested before the due date some *quid pro quo* in the shape of an extra discount (1½ or

PASSED FOR PAYMENT

Date....................

Certified by

....

2½ per cent.) for the term of the credit waived should be obtained. As soon as an account is checked, and its accuracy certified by the checking-clerk, who impresses it with a rubber stamp and fills in the blanks, it is handed to the cashier to await its turn for payment. Checked accounts are best kept in a Satchel File until such time as the date for payment comes round.

Payment of Accounts. Accounts are paid in one of twelve modes, viz. (1) *Coin*, (2) *Stamps*, (3) *Postal Orders* (*P.O.s*), or P.O. and stamps combined, (4) *Money Order* (*M.O.*), which may either be a Postal or a Telegraphic M.O., (5) Bank of England Notes for 10s., £1, £5, etc., (6) Cheque (Chq.), (7) Bill of Exchange (B/E), (8) Promissory Note (P/N). Other ways of remitting money are by (9) Banker's Drafts, (10) India Council Bills, (11) Telegraphic Transfers (T/T). It is only proposed to deal here with modes 1 to 5. Modes 6 to 11 require fuller treatment, and will be explained in later chapters of this book.

Coin. Accounts are not usually paid in coin unless (1) the amounts are small and (2) they are paid in person, *i.e.* not remitted. Coin is never remitted by one business house to another, though it is often paid over in person. Remittances in coin are practically confined to private persons living in situations remote from a Post Office, who may urgently require a particular article from a trader at a distance which can only be obtained by cash payment, or who may desire to remit small sums of money to relatives or friends. As the student will see when he reads the section of P.O. Information (*see* Appendix) dealing with remittances in coin, no compensation is paid for the loss of a letter containing coin unless the special registered envelope is used—the lowest charge for which is 5*d.*—and a receipt obtained for the packet. No greater amount than £5 should be remitted in coin, for that is the limit of compensation paid by the Post Office in the event of loss. Coin is best sent by making slits in cards and inserting the coins in the slits.

Stamps. Most business firms receive a number of remittances in stamps. This particular form of remittance is not encouraged by the trading community, and we frequently find directions upon invoices, statements, etc., enjoining customers not to adopt this mode of payment for any amount exceeding 5*s.* Some firms fix the limit at 2*s.* 6*d.*, while others will not accept such remittances if they exceed 1*s.* Stamps received in this way are either utilised for the outgoing correspondence, or, if the aggregate amount is large, the stamps are done up into packets of £1 each and exchanged for cash at the Post Office—the Post Office charging a commission of 5 per cent. on the amount so exchanged. A 6*d*. P.O. can be obtained for 7*d*., so there is now less excuse than formerly for the employment of stamps as a means of remitting money. Stamps should never be remitted to a foreign country as they are practically inexchangeable in any except the country of origin.

Postal Orders (P.O.s). This is the most satisfactory mode of remitting any sum of money from 6*d*. to £1 16*s*. 10*d*. (= 21*s*. + 15*s*. + 10*d*. [stamps added]. Cost 3½*d*.), the cheque alone excepted. P.O.s can be purchased at any Post Office payable at any other P.O. P.O.s are also issued in many countries abroad, payable in Great Britain. When remitting a P.O., the sender should insert in the space provided for the purpose the name of the person to whom it is to be paid (*i.e.* the *payee*) and, if known, the name of the Post Office where it is to be be paid (*i.e.* the *domicile* of the P.O.). He should also fill up the counterfoil and retain it, so that in the event of loss he may be in a position to furnish the Post Office authorities with the particulars they require in order to prosecute inquiries. Two parallel lines (termed *a crossing*) may be drawn across the face of the P.O. and then the Post Office will only pay the money provided the P.O. is presented for payment through a bank. A private person when cashing a P.O. is required to sign his or her name at the foot of the order, and the signature must be in accordance with the description of the payee inserted in the P.O. by the sender. If the sender has omitted to state the name of the payee the person cashing the P.O. must insert his or her name as well as sign at the foot of the P.O. Firms paying P.O.s into their bankers for collection do not sign them, neither when remitting P.O.s do they, as a rule, insert the payee's name, but this, when omitted, must be done by the receiver, if the P.O. is not crossed, and he wishes to cash it at a Post Office. If the receiver pays the P.O. into his banking account he need not fill in his name. Usually the only precaution adopted by firms when remitting P.O.s is to cross them, adding the name of the payee's bankers (if known) between the lines of the crossing. A P.O. is not negotiable, and when once it has been paid, and to whomsoever paid, the Post Office authorities are under no further liability. The words " not negotiable " mean that a person who takes a P.O. will not get a better title than the person from whom he took it, even if he did so in good faith and for value. It thus differs from money or a bill of exchange.

Money Orders (M.O.s). Money Orders are less frequently used by business firms than by the public. In cases where (1) a cheque is not acceptable (a cheque is merely a written order to a banker to pay a stated sum to the person named in the cheque and is, of course, worthless unless the banker possesses sufficient funds belonging to the giver of the cheque wherewith to pay it), or (2) where a firm is remitting money, for immediate personal use, to travellers in the provinces for expenses, salary or on account of commission, or (3) where it is necessary to remit a moderate sum abroad too small for the purchase of a banker's draft, the M.O. can be and is usefully employed. The remittance of money in this mode can be expedited in conjunction with the telegraph. M.O.s, like P.O.s, may be crossed, when payment will only be made through a bank. A requisition form for an Inland M.O. is printed on p. 126, and for the rules and regulations governing the issue and payment of M.O.s the student is referred to Post Office information, where they are set forth in detail. (*See* Appendix.)

Bank Notes. Formerly a number of provincial banks issued bank notes. But all the provincial banks in England have been amalgamated with or absorbed by the large London banks. Owing to these amalgamations, the Bank of England has the monopoly of issuing bank notes in England and Wales. Some Scotch and Irish banks, however, still possess the privilege of issuing notes, but such notes have only a local circulation. Bank of England notes are sometimes remitted to British firms by traders in European Countries, Egypt, and other places frequented by British travellers and holiday-makers, who use them for the payment of hotel bills, etc. (cheques not being acceptable), and thus they find their way back to this country in whole or part payment of exported British goods. In this country Bank Notes are more commonly passed from hand to hand than remitted by post. At Country markets and fairs in Scotland and Ireland, country notes are largely used for the settlement of deals. The device is sometimes adopted when remitting bank notes of cutting the notes lengthwise into halves. One set of halves is sent by one post and the other by a subsequent post. The receiver of the halves then joins them with gummed paper and pays them into his bank in the ordinary way. The safest way to send bank notes is to use the official registered envelopes, and to insure the packet for its full value. When remitting bank notes the dates, numbers, and amounts should always be recorded, so that in case of loss the subsequent-

No. 3.—D.

INLAND
MONEY ORDER REQUIRED

Office Stamp.

No. of Order.

	£	s.	d.
FOR	*4*	*5*	*6*

Payable at *G.P.O. Manchester*

[Payment will be subject to the possession by the Postmaster of sufficient funds.]

	*	Christian Name (or Initial).	Surname.
to		*James*	*Carson*

* If the Payee of a Telegraph Money Order is a woman, the prefix "Mrs." or "Miss," as the case may be, should be given for inclusion in the Telegram of Advice.

Sent by † *Arthur Rowson and Sons*
Address 27 *Leadenhall Street, E.C.*

† **IMPORTANT.**—The sender's name and address are required for official purposes. The person presenting the Order for payment must be prepared to state the name of the sender.

The Space below FOR TELEGRAPH ORDERS ONLY.

If the Order is to be telegraphed, write the words "By Telegraph" across the Form, and fill in the particulars asked for below.

1. Address at which the Telegraph Order is to be delivered. If to be called for at a Post Office write the word "Postoffice." [In the latter case the sender should inform the payee where he must apply for the Order.]

2. State here whether the Telegraph Money Order is to be crossed for payment through a bank.

‡ PRIVATE MESSAGE.

3. A Private Message to the payee (not exceeding twelve words) may be added to the Telegram of advice, for delivery with the Order.

Write Private Message here.

‡ Sender's name (or name and address), to be communicated to the payee, must form part private Message.

movements of the notes may be traced and they may sometimes be recovered.

Remittances. Money, in whatever form, sent through the post is termed a *remittance.* Some London firms remit in payment of all their accounts, but others only remit provincial accounts and have stated *Pay Days* for the payment of town accounts. Representatives of the various Town creditors call on these pay days, and the amounts due are paid to them in person upon presentment of their firm's card, and correct particulars of the account rendered being given. Remittances are usually entered in a remittance book, ruled somewhat as follows:

REMITTANCE BOOK

DATE.	NAME AND ADDRESS.	CHEQUES			P. ORDERS			NOS.	STAMPS.
		£	s.	d.	£	s.	d.		
1935 12th July	Bonsor and Finch, Walsall	18	10	9					
	Strong, Dunton & Co., L'pool	165	7	6					
	F. Dunning, Oldham					12	10	$\frac{1}{D}$620690	
	Geddes & Co., Edinburgh								10

As the receipts come in the entries are ticked off or ruled through in red. If a receipt is unduly delayed, the firm is written to. In this way timely notice is obtained of any remittances that have gone astray, and inquiry can be made of the Post Office close upon the happening of the loss. Care should be taken that receipts for the payment of money are always promptly obtained, as where no receipt can be produced no payment can be admitted unless other proof is forthcoming.

Cheque with Receipt Form attached. Some firms, and the practice is growing, have printed on their cheques either at the foot or on the back of the cheque a form of receipt which must be signed by the person in whose favour the cheque is drawn. All paid cheques are in due course returned to the drawer so that the returned cheque itself is a receipt, and discloses the full history of the payment. Such a cheque with receipt form at the foot is here illustrated:

No. $\frac{T}{I}$ 1990786. LONDON, 15*th March* 1935.

BARCLAYS BANK, LTD.

STAMP

Pay *Messrs. Robert Smith & Co.* or Order
Ninety Pounds Ten Shillings and Sevenpence
subject to the receipt at foot hereof being duly signed.
£90 10 7 *James Gardner & Co.*

RECEIPT.

Received the above-mentioned sum of *Ninety Pounds Ten Shillings and Sevenpence.*

Dated this 16*th March,* 1935.

Robert Smith & Co

STAMP

If a covering letter is sent it would read somewhat as follows:

LONDON, 15*th March* 1935.
112 NEWGATE STREET, E.C.

Messrs. Robert Smith & Co.
57 Briggate, Leeds.

DEAR SIRS,

Enclosed we beg to hand you *cheque* value *Ninety Pounds Ten Shillings and Sevenpence* in settlement of your Account rendered to *31st December* last.

Yours faithfully,
JAMES GARDNER & CO.

	£	s.	d.	£	s.	d.
Account rendered				100	5	7
Returns	—	—	—			
Allowances	—	—	—			
Carried forward o/s	5	7	6			
Discount	4	7	6	9	15	0
				£90	10	7

TEST PAPER VII

1. Define Petty Cash and explain the Imprest System of keeping the Petty Cash book.

2. Is the Petty Cash book invariably used for recording business expenses pure and simple? If not, what other payments are recorded, and *how* are the entries for such payments subsequently dealt with?

3. What procedure is adopted when opening new accounts, (*a*) when references are given, (*b*) when references are not given ?

4. What are Mercantile Gazettes and what kind of information do they give ?

5. Define Statement of Account. How would you begin a Statement on April 1, if (*a*) the account to the previous December 31 had not been paid, (*b*) there is a balance of £5 7*s*. 6*d*. still due on the December statement ?

6. Write the following abbreviations in full: a/c, P.O., P.O.O., M.O., B.P.B., B/E, P.N., Chq., 5% 1 mo., Dis., T/T.; Define P.O., M.O., Dis.

7. Messrs. Silcock Bros. have sent you an order for £10 worth of goods and give Messrs. Waterhouse and Co.'s name as a reference. Write to the latter taking up the reference.

8. Waterhouse's reference is none too favourable. How would you get further information respecting Silcock Bros. ? Suppose this additional knowledge gave you no confidence in Silcock Bros. what then would you do ?

9. What functions do Mercantile Agencies serve ? On what terms are their services obtained ?

10. Write a letter to Stevens and Son, a new firm, who have sent you an order but given no references.

11. How often are accounts rendered ? What is an Accounts Rendered Book and what purpose does it serve ?

12. What are first, second, and third Reminders ?

13. Edward Pears and Co., Dewsbury, have sold goods to Mr. A. Birch of Nottingham as follows: 10th Jan., £3 7*s*. 6*d*.; 18th Jan., £5 8*s*. 10*d*.; 14th Feb., £10 11*s*. 2*d*.; 16th March, £8 3*s*. 7*d*. On the 24th Jan. Birch returned goods value £2 1*s*. 8*d*. and on the 18th March goods value £3 2*s*. 7*d*. Make out an account from Pears and Co. to Birch and deduct 7½% for payment within fifteen days. Receipt the account, assuming it to have been paid by cheque.

14. Suppose Mr. Birch carried forward an amount of £3 for "goods on hand." Show the form of receipt you would give in that case.

15. What is a receipt "on account" ? When is such a receipt given ?

16. Do all receipts require stamping ? How may receipts be sent through the post ?

17. What precautions must be taken when checking inward accounts ?

18. Suppose you had arranged for three months' credit and your creditor asked for payment a week after date of the invoice. What in such a case would you be entitled to expect for waiving the full term of credit ?

19. What is a remittance ? Name five different modes in which a remittance can be made. Name seven other ways in which money is transferred from one trader to another.

20. What is a Remittance Book and what purpose does it serve ?

21. Define (*a*) M.O., (*b*) P.O. What is the poundage on a M.O. for £5 7*s*. 6*d*. and on one for 18*s*. ? What would be the poundage if you bought P.O.s to the value of 33*s*. How could you most cheaply remit the sum of 24*s*. 10*d*. by P.O. ?

22. What is the difference between a M.O. and a P.O. ?

23. What precautions should you adopt (*a*) when remitting P.O.s; (*b*) when remitting a M.O. ?

24. Can you stop payment of a M.O. payable in the United Kingdom ? If so, what is the procedure ?

25. Suppose a M.O. were lost, could the money paid for it be recovered? If so, what is the procedure?

26. What is a Telegraphic M.O., and what is the additional charge for it over and above a postal M.O.?

27. What advantage is secured by crossing (*a*) a M.O.; (*b*) a P.O.? Explain what a crossing is.

28. What is the charge for Foreign and Colonial M.O.s?

29. To what value and what number may stamps be affixed to P.O.s? Is the procedure the same for cashing a P.O. (*a*) at a post office; (*b*) through a banker? If not, in what particulars does it differ?

30. How is coin most safely transmitted by post? How is safety secured when remitting bank notes by post?

31. Ford and Co. have a quarterly ℀ with James Hennessy. Their ℀ appears in Hennessy's ledger as follows: 1924, Jan.-March ℀, £6 1*s.* 10*d.* outstanding; April to June ℀, £8 7*s.* 6*d.* also outstanding; July 12 goods £3 7*s.* 6*d.*; July 18 goods £2 1*s.* 10*d.*; Sept. 9 goods £2 5*s.* 8*d.* On Sept. 11 Ford and Co. returned goods value £2 5*s.* 8*d.* Make out Ford and Co.'s ℀ as it would be rendered by Hennessy's clerk on October 1, the terms arranged for the ℀ being qtly. 5% 1 mo. Enclose with the ℀ a letter such as you think the circumstances require—show the letter. Ford and Co. pay the balance due by cheque but deduct the full settlement discount from the whole amount. Show the form of receipt you would give for their cheque and the letter which you would enclose with the receipt.

32. Assume that you are a trader, Arthur Walsh, of 15 Houndsditch, London, and that you have extensive dealings with Robert Buchanan and Co., 56 Renfrew Street, Glasgow, who run a yearly account with you. Turn to the invoices given on pp. 83–97 of this book and let the dates and totals of them represent your sales to Buchanan and Co. Rule a form of statement and make out Buchanan's account. Deduct 3½% prompt cash 15 days.

33. Show how you would enter the following in a Petty Cash Book: 1923, Jan. 2, Carriage, Parcel to Newcastle, 1*s.* 3*d.*; Postage stamps, 15*s.*; Gum, 1*s.* 3*d.*; String, 2*s.*; Inkpot, 1*s.* 9*d.* Jan. 3, Teas, 4*s.*; Newspapers, 6*d.* Jan. 4, Foolscap, 3*s.*; Wax, 6*d.*; Blue lead, 10*d.* Jan. 5, Brown paper, 14*s.* 8*d.*; Packing twine, 10*s.* 3*d.*; Jan. 6, Truck repairs, 3*s.* 6*d.*; Delivery book, 2*s.*; Rubber stamp, 2*s.* 6*d.* Extend the items into the money columns, sum them and show balance remaining from the sum received, £10. (*Lanc. and Ches. Union.*)

CHAPTER VIII

TRADING HOUSES, MERCANTILE AGENTS AND MARKETS

TRADE AND THE SALE OF GOODS

Barter and Sale. When goods are directly exchanged for other goods, as in uncivilised countries at the present day, the transaction is termed *Barter*. But when goods are exchanged for money, or for instruments of credit representing money (Cheques, Bills of Exchange, Promissory Notes, etc.), as is now general in civilised countries, the transaction is termed *Sale*. The receiver of goods is termed the *Buyer*, and the receiver of money or its equivalent, the *Seller*.

Trade, Commerce and Industry. This interchange of goods for money and money for goods constantly carried on in a country is termed its *Trade*, the process of manufacturing the goods traded in, its *Industries*, and the mercantile dealings with the rest of the world, its *Commerce*. Trade may be *local*, as *e.g.*, the trade between the inhabitants of a village, or even between two persons in a village. It may be *particular*, *e.g.* the *Coal Trade*, the *Timber Trade*. The term *Industry* has a wider significance. It means labour organised for a particular end or purpose, *e.g.* the Agricultural Industry, the Iron and Steel Industry ; and the term *Commerce* has a wider significance still. It means the trade of a country considered in its national and international aspects.

Contract for the Sale of Goods. The sale of goods is governed by contract. In general, " a contract is an agreement enforceable at law." A contract for the sale of goods is one by which the seller transfers or agrees to transfer the ownership of goods to the buyer in consideration of a payment in money, termed the *Price*. It should be noted that in a contract of sale of goods the term *price* is synonymous with ***value***, ***i.e.*** **the** value of the goods is the agreed price.

An *agreement* is come to when two or more parties declare their consent as to anything which one or more of them is to do or abstain from doing. The essential part of an agreement is *consent*, which is generally declared by the acceptance of an offer or proposal When A accepts a proposal made by B, the acceptance amounts to a promise, and B's proposal becomes a promise on B's part by A's acceptance of it. Thus, if A says I will sell you "20 qrs. of this wheat for 3*s*. a qr.," and B replies "I will buy 20 qrs. at 3*s*. a qr.," A makes an offer which B accepts, and the offer and the acceptance becomes promises—A's to sell 20 qrs. at 3*s*. a qr., and B's to buy 20 qrs. at 3*s*. a qr.

Agreement to Sell. When under a contract the goods are immediately transferred from the seller to the buyer the contract is termed a *Sale*, but when the transfer is not to take place till some future time, or till some condition has been fulfilled, the contract is called an *Agreement to Sell.* And this agreement to sell becomes a sale, when the time of transfer has arrived, or when the condition has been fulfilled. The word *Goods* means all tangible movable property except money. *Shares* are not goods.

Specific Goods and Future Goods. If the goods are identified and agreed upon when the contract is made, they are termed *Specific Goods*, but if the seller has to make or procure them they are termed *Future Goods*.

Thus, if a spice merchant offers me twelve bags Bassein rice for £16, on the usual terms of account, and I order him to send me the rice, that is a contract for the sale of *specific* goods. But if I arrange with a cycle manufacturer to build to my specification six bicycles for £14 each, and to deliver them to me on or before March 15 next, that is an agreement to sell *future* goods, which becomes a sale when the bicycles have been built true to my specification within the prescribed time.

Contracts are not always written. It must not be supposed that the word contract always implies a written document. A contract may also be made (1) verbally, (2) partly in writing and partly by word of mouth, or (3) be implied from the conduct of the parties. But if the contract is for goods to the value of £10 or over it is not enforceable unless:

1. (1) The buyer accepts and receives the goods or part of them.
2. (2) The buyer gives something to the seller to bind the bargain, or makes a payment in respect of the purchase.
3. (3) A memorandum of the contract is signed by the person against whom the contract is to be enforced.

Therefore where either (1) or (2) can be proved it is not necessary to produce a written contract.

"*Accepts*" and "*Receives*." These words are used in a special sense and must be defined. If a buyer does anything in relation to the goods which he would not do unless he recognised the fact that he had made a contract to buy them, then he has "accepted" the goods. By "receipt" is meant (*a*) delivery to a carrier for transport to the buyer, (*b*) delivery of the goods or the *Documents of Title* (*see* below) to the goods to the buyer, (*c*) when by agreement the seller has become the custodian or *Bailee** of the goods for the buyer.

Illustration of (1) *above.* If I were to agree verbally with a coffee dealer to buy five bags of coffee for £40, and he sent the coffee to a carrier for delivery to me, and I subsequently repudiated the agreement; then, if the dealer could prove that I had endeavoured to re-sell the coffee to somebody else, it would not be necessary for him to prove a written contract in order to enforce his claim against me, for it is clear I should not have tried to re-sell the coffee if I did not recognise I had a right to do so. I should have "accepted" the coffee. But the dealer would also have to prove that I had "received" the coffee. This he would do by producing the carrier's receipt for the five bags. The carrier is my agent not the seller's, and delivery to my agent is delivery to me.

Illustration of (2) *above.* If in the illustration above, the dealer, having doubts of my integrity, had said, "I can only sell you the coffee for cash," and I had replied, "Oh, very well, I'm rather short of cash, will you accept £20 on account, or will you take my gold watch and hold it till the amount is paid?" and the dealer had agreed to do either of these things, then there would be no need for him to produce any writing signed by me in order to enforce his claim.

Illustration of (3) *above.* If at the time I had agreed to buy the coffee, the dealer had written upon one of his note-headings, "Sold this day, June 24, 1924, to John King Grebby five bags Costa Rica for £40," and I had signed the memorandum, then upon that signed memorandum the dealer could enforce the contract. It is not necessary that both parties should sign the memorandum. Only in any action for breach of contract the plaintiff must produce a memorandum signed by the defendant or his agent.

Documents of Title. In commerce certain documents are used as proof of the possession of goods and of the right to dispose of them. They stand in place of the goods, which may be sold simply by transferring to a buyer, for value, the documents of title. The transference of documents of title may be by delivery alone or by endorsement and delivery. Documents of title, to some extent, partake of the nature of Negotiable Instruments, *see* Chap. XV. A Dock-Warrant, Warehouse Keeper's certificate, and a Bill of Lading are documents of title.

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* Any person to whom goods are entrusted by the owner for any purpose is called a *bailee*. Thus a factor, a warehouseman, a borrower, a hirer, a carrier, are bailees.

Necessity for Written Contracts. Notwithstanding that written contracts are not always necessary, *it is always advisable that every agreement for the sale of goods should be in writing.* The law provides that in any agreement of the kind there must be (1) a sufficient description of the buyer and also of the seller; and (2) a sufficient description of the goods and the price. An agreement for the sale of goods may be contained in one document, or, as is frequent in business practice, in several documents or letters. In the latter case the documents or letters must be connected, *i.e.* connected by references so that the whole forms one contract. The student will now appreciate in full the advisability of filing inward and outward letters together, and of beginning letters by explicit references to those to which they are replies.

Conditions and Warranties. Contracts for the sale of goods are frequently governed by (1) Conditions; (2) Warranties.

A Condition is a material term or provision, the failure to observe which by one party entitles the other to treat the contract as repudiated, and usually gives him a right of action for breach of contract against the party in fault.

If a wine merchant contracts to sell French brandy it is a condition that the brandy shall be French. If a hosier undertakes to sell *Irish linen* shirts it is a condition that they shall be *Irish linen.* If a metal merchant contracts to supply five tons English tin to be aboard the s.s. *Aida* not later than June 5 it is a condition that the tin shall be English and shipped on or before that date. In all these instances in the event of default, the buyer would probably have the right to reject the goods and bring an action for breach of contract. Further, if a felt manufacturer contracts to sell 250 yds. superfine felting at 1*s.* 8*d.* per yd., payable three months after delivery, it is a condition that the buyer shall have the benefit of the three months' credit and the seller cannot demand payment until the three months have expired.

A Warranty is an agreement with reference to the goods sold which is not part of the main purpose of the contract of sale, but collateral to it. A breach of warranty does not give a buyer the right to reject the goods but a right to damages.

If a man sold a horse to another for £120 and warranted the horse to be sound and free from vice, and the buyer afterwards found the horse was lame or given to savaging his groom, then though the buyer could not return the horse to the seller and recover its price, he could sell the horse and recover the difference between the price obtained and the price given for it.

Condition or Warranty? It depends upon the interpretation of the contract whether a particular stipulation is a warranty or a condition, *i.e.* whether, in case of breach, a buyer has the right to reject the goods and treat the contract as repudiated, or whether he has only a right of action for damages. The buyer, in the case of the non-fulfilment of a condition by the seller, can assume that the seller has repudiated the contract, but he can also, if he likes, waive the condition or treat it as a breach of warranty. But if the buyer has accepted the goods, or if the ownership of the goods has passed to him, he can only treat a breach of condition as a breach of warranty, unless it is part of the contract that he may return or reject the goods.

Implied Conditions and Warranties. Conditions or warranties are said to be *implied* when they are not expressed in words, but tacitly understood between the parties to a contract.

Thus, there is usually an implied condition (1) that the seller has the right to sell; (2) that no one can interfere with the buyer's quiet possession of the goods; (3) that goods sold by description shall correspond with the description. Thus a contract to sell by description a brass bedstead would not be fulfilled by delivering an iron bedstead; (4) if the sale be by " sample " as well as by " description " the goods must correspond with both sample and description. Thus a seller who contracts to sell " brandy equal in quality to sample " and delivers spirit equal in quality to the sample but not in fact " brandy " commits a breach of contract.

Caveat Emptor. Most frequently warranties have a reference to the *quality* of the goods sold. Broadly speaking, a buyer must exercise his own judgment as to the quality of the goods he buys and their fitness for the purpose he has in view, for generally there is no warranty as to quality or fitness, and the maxim *caveat emptor* (let every buyer look after himself) applies. If, therefore, a seller keeps silence and allows his buyer to suppose that he is buying something of a particular quality whereas he is not, that is the buyer's look out. But there are exceptions to this general rule (see the Sale of Goods Act, 1893).

(1) Where a buyer makes known to a seller the particular purpose for which he requires the goods, so as to show that he relies on the seller's skill and judgment, and the goods are of a kind which it is the seller's business to supply (he need not also be the manufacturer of the goods), there is an implied condition that the goods shall be reasonably fit for the purpose. But if the goods are sold under a patent or trade mark there is no implied condition as to fitness for any purpose but simply that the trade mark or description is genuine and not a forgery. (2) Where goods are sold by *description* by a dealer in such goods, there is an implied condition that the goods shall be of *good merchantable quality* (G.M.Q.), *i.e.* that they can be re-sold under the description. (3) Where goods are sold by *sample* the following conditions

are implied: (*a*) that the bulk shall correspond with the sample; (*b*) that the buyer shall have a reasonable opportunity of comparing the sample with the bulk; (*c*) that the goods shall not have any defect making them unmerchantable which is not apparent on an ordinarily reasonable examination of the sample.

Terms of Contract. The student has seen that a contract of sale of goods may embody any terms mutually agreed between the parties, and that these terms usually have relation to five things—viz. (1) *Description*; (2) *Quality*; (3) *Price*; (4) *Payment*; (5) *Delivery*.

Description. Particular qualities of commodities have particular descriptions. Every one knows the excellence of—*e.g.*, an Irish ham, French brandy, English cheddar, Harris Tweed, Australian Burgundy. In trade, commodities so described mean special and easily identified things, and a contract for sale of such things can only be fulfilled by delivery of things answering the description. Sale by description is usually joined with sale by sample. An order, *e.g.*, for so many yards of Harris Tweed would be too vague, and in practice would read so many yards Harris Tweed No. 11639, the number indicating a particular pattern of Harris Tweed.

Quality. This may be indicated either by (1) *Sample*, or (2) *Type*.

Sample. A sample is a small quantity drawn from bulk and taken as representative of the whole. Sale is usually effected by sample in the case of textile manufactures, produce, etc., and the student will see later (*see* p. 157) that dealers in dried fruit do not inspect the bulk lying at the bonded warehouse, but bid for the lots on marks, and after inspection of the samples in the hands of the brokers. Similarly, retail dealers in dried fruits buy on samples which are either submitted to them by travellers representing the wholesale dealer, or exposed to view at the dealer's offices. In the case of wool, however, inspection of the bulk lying on the wool floors at the warehouses precedes the bidding, so that the student must not assume that produce is always sold by sample.

Type. Raw produce is frequently sold on type, subject to crop. The type is a sample of the produce taken from last year's, or a previous year's growth. In some cases the type worked on is six or more years old. When buying or selling on type, the essential characteristics of the bulk must vary little from the essential characteristics of the type. In the case of considerable variations the matter is submitted to arbitration *in London*.

Every contract of sale by type implies great confidence between the contracting parties, and always contains an arbitration clause. U.S. and Canadian wheat are also sold on type. Definite units of quantity and definite types or grades or quality are fixed, *e.g.* "100 lbs. Northern Spring Wheat Duluth Certificate." Reduced to this form, wheat is made the subject of speculation, and sold and resold for future delivery like stocks and shares. Cotton, tobacco, and other kinds of raw produce are also sold on type.

Price. The price is the sum agreed to be paid for goods per unit of number, volume, weight or measurement. But there are other charges subsidiary to the actual price, stipulation as to which frequently appears in contracts. Buyer and seller may—*e.g.* agree upon a *Loco* price, which, as already explained, is a price for the goods as they stand in the seller's warehouse, or wherever they may lie at the time of sale. A price *on rail* signifies that the price includes the cost of cartage to the railway station and of getting the goods upon the trucks. An *At Station* price is a price which includes free delivery to the nearest railway station. An *In Bond* price is a price for the goods excluding the amount of customs duty payable to release them from the bonded warehouse where they are stored. A *Duty Paid* price includes the customs duty payable. The student will see (p. 150) that a buyer of dried fruit may pay the duty direct to the customs authorities when the amount of the duty is deducted from the invoice, and an "In bond" D/O is handed to him by the broker, or pay for his purchases at the duty paid price, and receive a "Duty Free" D/O. Other kinds of prices—*e.g.* F.O.B., C. & F., C.I.F., etc.—are explained in the Export section (*see* pp. 191 *et sqq.*).

Payment. This subject has already been dealt with (*see* p. 82, where the usual terms are given). Others, e.g. *Cash against Documents, Documents against Acceptance, Documents against Payment,* are explained in the Export section, *see* p. 198.

Delivery. Unless otherwise agreed, delivery and payment are concurrent conditions. Generally, however, there is an expressed or implied condition respecting delivery. Stipulations respecting delivery may have reference to (1) *Place,* (2) *Time,* (3) *Mode.*

Place and *Time.* Unless otherwise agreed, the place of delivery is the seller's place of business or house. If, at the time goods are sold, they are in the possession of a third person, there is no delivery to the buyer till the third person acknowledges that he holds them for the buyer. When goods are to be delivered immediately, the sale is for *Prompt Delivery*. In the wool and other trades, sales are effected for payment and delivery on a particular date, termed the *Prompt Day*. Delivery may be agreed to be made *ex Ship* or *ex Quay*, *i.e.* on the jetty or quay where the goods are unloaded, or *Free Overside*, *i.e.* into a barge or hulk, provided by the buyer for their reception and removal.

Goods may also be sold *to arrive*, *i.e.* subject to the safe arrival of the carrying vessel, or for *Forward Delivery*, *i.e.* you contract to buy a certain quantity of goods, delivery of which is to be made either in instalments spread over a period of time, or in one lot at some future date. On the general question of time, where no time for delivery is stipulated, delivery must be made within a reasonable time. The word "reasonable" in this connection means reasonable having regard to the circumstances of the case, *e.g.* a delivery of coal at 2 a.m. would be unreasonable. The same remark applies to the buyer's demand for delivery.

Mode. The seller must deliver the exact quantity he has agreed to sell. If he deliver less the buyer may reject the goods. If he deliver more, the buyer may accept or reject the whole, or accept the agreed quantity and reject the rest; but whatever quantity he accepts it must be paid for at the agreed price. A buyer need not accept delivery by instalments unless that be agreed. Delivery to a carrier, whether chosen by the buyer or not is delivery to the buyer. A carrier does not *accept* the goods for the buyer, he merely *receives* them for the buyer. If the buyer selects a particular carrier or route, that carrier or route must be used, and if he does neither, the seller must see that he makes a reasonable and proper contract with a carrier on behalf of the buyer. If the goods are to be forwarded by sea, the seller ought to advise despatch of the goods and furnish full particulars to the buyer so that the latter may insure the goods, or he should insure them himself, otherwise the goods are at seller's risk during transit. If a seller deliver goods at his own risk his liability is limited to ordinary injury during transit, which does not include loss through deterioration necessarily caused by removal.

Acceptance. A buyer is entitled to reasonable opportunity of examining the goods on delivery to see whether they are in accordance with the contract, and he is not considered to have accepted the goods till he has had that opportunity. The word *acceptance* is here used differently from the way it was used on p. 133. There it had a special meaning confined to cases where the fact of the contract is repudiated, here it means *willingness to* *receive in performance of the contract.* If the goods are not in accordance with the contract, and the buyer is right in rejecting them he need only inform the seller that he has rejected them, he need not also return them. But if he wrongfully reject the goods he is liable, after the seller has requested him to receive them, for any loss caused by the rejection, and to pay for their care and safe custody. If a buyer deals with goods in a manner inconsistent with the ownership of the seller, or keep them beyond a reasonable time he is considered to have accepted them.

TRANSFER OF OWNERSHIP. When goods are sold they are, as a general rule, at the risk of the owner, though if the seller act as bailee of the goods for the buyer he is responsible for any injury done to them through negligence. It is therefore important to know exactly when the buyer becomes the owner.

(1) In the case of *specific* goods ready for immediate delivery, the buyer becomes the owner as soon as the contract is made, unless it is otherwise arranged. The fact that either delivery or payment is postponed is immaterial.

(2) In the case of specific goods to which the seller has to do something to make them ready for delivery the ownership does not pass to the buyer till what is required has been done, and the buyer has been advised of the fact.

(3) Specific goods ready for delivery, but which like wheat, whisky, etc., have to be weighed, tested, or measured before the prices can be fixed, do not pass to the buyer till what is necessary has been done, and the buyer has received notice of the fact.

(4) Goods sent *On Sale or Return* (O/S), or on approval (*on appro.*), do not become the property of the receiver till he signify his approval or acceptance of the goods, or unless he keep them beyond the time fixed for their return, or beyond a reasonable time if no time is fixed (reasonable time is customary time having regard to trade usage). In commercial practice, however, goods sent On Sale or Return are usually treated like goods sent *On Consignment*, and are held at the seller's risk—account sales being submitted and remittances made at regular intervals of a month, three months, or whatever is arranged.

(5) In the case of *future* goods sold by description the buyer becomes the owner when goods answering the description have been appropriated to the contract by either party with the consent of the other. When, in pursuance of the contract, the seller delivers goods to a carrier for transport to the buyer, there is appropriation by the seller unless he reserved the right of disposal, *i.e.* unless the contract provides that the buyer must, before the ownership of the goods passes to him, observe some condition, *e.g.* give a Bill of Exchange for the price of the goods.

TRANSFER OF TITLE TO GOODS. A buyer does not generally acquire a good title to the goods, *i.e.* become the real owner, if the seller was not the real owner, or if in selling them the seller was not acting under the owner's authority. The owner of goods wrongfully sold can compel the buyer to give them up without compensation, whether the buyer gave value for them or not. If, however, the buyer acted in good faith and bought the goods in *Market Overt*, *i.e.* in a regular and authorised market, held on fixed days in a certain place (the term comprises all shops in the City of London when any particular shop sells goods usually sold there *in the ordinary course of business*), he has a good title to the goods; but if the goods were the proceeds of a robbery, and the thief were subsequently caught and convicted, the real owner of the goods could call upon the purchaser of them to hand him back possession of the goods.

If a seller retain possession of goods the ownership of which has passed to the buyer, and resell them to a third party without disclosing to such third party the fact of the previous sale, the second buyer, provided he acts in good faith, acquires a good title to the goods. A buyer should therefore get possession of the goods as soon as possible after he becomes the owner of them. Similarly, if a buyer, with consent of the seller, obtain possession of the goods, and, notwithstanding the fact that under the agreement the ownership of the goods has not yet passed to him, resell them to an innocent second buyer without giving notice of the circumstances, the second buyer obtains a good title.

Both buyer and seller possess rights which may be vindicated at law, but it is not proposed to deal with these more than to explain the right of *Lien* and one peculiar right of the seller of goods termed the right of *Stoppage in Transitu.*

Lien. As a general rule, if a seller has not been paid for goods sold, and he still retain possession of the goods, he has a right to retain them till he is paid. This right is termed the right of lien, and the right exists even though the ownership of the goods may have passed to the buyer. Where goods are sold on credit there is no right of lien till the agreed time of credit has expired. In the case of credit sales the seller almost invariably parts with possession of the goods, so that no right of lien can be exercised. In the case of a buyer's insolvency the seller has the right of lien even though he hold the goods as bailee or agent of the buyer. As soon as a seller hands over goods to a carrier for delivery to the buyer, or as soon as the buyer or any agent of the buyer lawfully obtaines possession of the goods the right of lien is gone.

Stoppage in Transitu. If a seller who has not been paid has handed goods to a carrier for delivery to the buyer, and the seller learns, whilst the goods are in transit, that the buyer has become insolvent, the seller has the right to call upon the carrier to stop delivery to the buyer, and return the goods to him; or if he know the whereabouts of the goods he may seize them. If he give notice to the carrier he must do so in such circumstances as will permit the carrier to locate the goods, and give him the time necessary to instruct his agents to act. If, however, the seller has handed the Documents of Title to the goods to the buyer, and the buyer has transferred them to a third party who has taken them in good faith and for value, the seller's right of stoppage in transitu is gone ; but as a rule the right is not affected by any resale by the buyer without the seller's consent. Transit begins the moment the goods are handed to a carrier for delivery to the buyer, and ends when they have come into the hands of the buyer or any agent who takes delivery on his behalf.

General Remarks. While it is important that the student should be acquainted with the chief principles underlying the law relating to the sale of goods, he is not to suppose that the making of contracts is a perilous business that can only safely be done under the watchful eye of a solicitor. Ordinary prudence and knowledge are, generally speaking, all that are necessary. He should also remember that things are done in actual commercial practice for which legal sanction cannot always be found. The student has noticed that some provisions of the law relating to the sale of goods hinge upon *trade usage*, called in law *the law merchant*, and trade usage is not a hard and fast thing, but subject to modification and growth. When one reflects upon the enormous number of contracts for the sale of goods that are made, the legal actions arising from breach of contract appear very small. Every wise trader endeavours to keep clear of court actions, and in most cases where disputes arise out of contracts the differences are settled by compromise. Even to win an action means expense, and there is usually an aftermath of bad feeling on the part of the loser. Thus it is that the principle of *arbitration* steadily grows in favour ; and in many, or one might say most, contracts of importance nowadays a clause is inserted providing for arbitration in case of dispute.

Arbitration may be defined as a method by which, in the event of two or more parties disagreeing, the points in dispute are submitted to the arbitrament of a third independent party called the *Arbitrator*, by whose judgment the contending parties agree to be bound. The decision of the *Arbitrator* is called the *Award*.

It is instructive to reflect that on the London Stock Exchange, where the dealings involve a turnover of hundreds of millions of pounds annually, legal actions between members are unknown, it being the rule that disputes are not to be decided by legal process, but are to be referred to and settled by the Committee of the Stock Exchange, or " House," as it is familiarly called. A further instructive commentary is to be found in the absence of default by buyers on the London Wool Exchange referred to in Chapter IX.

TRADING HOUSES, MERCANTILE AGENTS, AND MARKETS

Trading houses may roughly be divided into two main classes: (1) *Manufacturing Houses*, (2) *Distributing Houses*. Distributing Houses may be subdivided into (a) *Wholesale*, (b) *Retail*.

A manufacturing house may also be a distributing house, as, *e.g.*, in the case of Messrs. Fellowes Bros. & Co., whose business organisation has been described; but many manufacturing houses strictly confine their operations to the wholesale distributing houses. Similarly a wholesale distributing house may also combine the business of a retail trader, *e.g.* have, attached to the wholesale house, a shop where the general public may purchase goods at the same prices as in an ordinary retailer's shop. The flow of goods from a manufacturer to the public may be illustrated by a diagram:

FANCY GOODS MANUFACTURER G. H. Stepney & Co.	>	WHOLESALE FANCY GOODS MERCHANT Faudels Ltd.	>	FANCY GOODS RETAILER G. A. Brown	>	GENERAL PUBLIC

Mercantile Agents. Besides the manufacturer and the wholesale and retail distributors, there are the *Mercantile Agents*, who may act for any of these three classes of traders. Speaking generally, whatever contract a man may make in his own person he may make through the instrumentality of another person whom he has appointed to act for him. A person who has been appointed to act for another is termed an *Agent*, and the person who appoints an agent to act for him is called in relation to that agent a *Principal*. A mercantile agent is one who in the ordinary course of his business as agent has authority to sell or buy goods, or to consign goods for the purpose of sale, or to raise money on the security of goods. He is a *General Agent*, and is distinguished from a *Special Agent*, who is appointed to act for his principal in a special manner, *i.e.* outside the agent's ordinary business. Managers, travellers, clerks, and other employés of a trader are in a greater or less degree general agents. Three important classes of mercantile agents are: (1) *Factors*, (2) *Brokers*, (3) *Auctioneers*. Very often, however, a broker is also an auctioneer, and combines both functions.

Factor. A factor is an agent to whom goods are entrusted for the purpose of being sold on behalf of the owner. His principal usually pays him a commission on the price at which he sells the goods. Hence he is often called a *Commission Agent*. As a rule a factor sells in his own name, and often sells goods of which he is the owner. Therefore a buyer from a factor does not usually know who is the owner of the goods. In the case of breach of contract on the part of the seller, the buyer may sue either the factor or the principal, and, similarly, either the factor or the principal may sue a defaulting buyer. The fruit and vegetable salesmen at Covent Garden, the Borough and Stratford Markets, London, and at Brentford Market, are, when not growers selling their own produce, almost all factors. They sometimes buy the whole or part of a market-gardener's crop as it stands on the ground, or bid at auction for parcels of foreign produce sold by brokers on behalf of their principals and resell their purchases, or they sell for growers on commission. In every case they sell in their own names.

Broker. A broker is an agent who buys or sells goods or shares for a principal on commission (sometimes termed *Brokerage*). He is distinguished from a factor chiefly by the fact that he does not have possession of the goods and does not sell on his own account, while a factor does have possession of the goods and does sell on his own account. Hence in dealing with a broker one must assume that one is dealing with an agent and not with a principal. A share broker is a broker, but not a mercantile agent, for, as the student will remember, shares are not goods. The operators at the great Produce Exchanges are usually brokers —either buying or selling brokers.

Auctioneer. An auctioneer is a person authorised to sell property on commission at a public auction. He has legal possession of the goods he sells, a lien upon the goods in his possession for payment of his charges, and the right to sue for the price of the goods he sells. He is also in general liable to be sued by a buyer to recover the goods sold. Each lot sold by auction is the subject of a separate contract. A sale by auction is complete when the auctioneer announces its completion by the fall of the hammer. Till then any bidder may retract his bid.

Del Credere Agreement. An agent for the sale of goods sometimes acts under an agreement with his principal by which in return for higher commission than usual he undertakes that his principal shall receive the price of all goods sold. Such an agreement is called a *del credere agreement*, and under it the agent becomes liable to his principal for the price of the goods sold in case the buyer makes default in payment. The extra commission is also termed del credere. Sometimes it is separately deducted from the account sales (A/S), but at other times it is included with the ordinary commission and charged out simply as commission.

Sales of Goods. Sales of goods may therefore be made by a

(1) Manufacturer to a Wholesale Trader;
(2) Wholesale Trader to another Wholesale Trader or to a Retail Trader;
(3) Retail Trader to the General Public;
(4) Factor or Broker to Manufacturer, Wholesale or Retail Trader;
(5) Auctioneer to Manufacturer, Wholesale or Retail Trader, or the General Public.

With regard to Nos. (1) and (2) sales may be effected with the (*a*) Home Trader or (*b*) Foreign or Colonial Trader, *i.e.* they may form part either of the *Home Trade* or *Export Trade*; and with regard to (4) sales may have relation to (*a*) British products or (*b*) Foreign or Colonial products, *i.e.* they may form part of the *Home Trade* or *Import Trade.*

Method of Selling Goods. The chief means of finding customers for, and therefore effecting sales of, goods are (1) *The Market*, (2) *Advertisement*, as understood in its widest significance. A market (from the Latin *mercari* = to trade) may be defined as any body of persons who are in close and constant business relationship with one another, and who carry on extensive transactions in any commodity, transferring the commodities from one to another through the accepted medium of exchange. The word is also used to designate the place where such transactions take place. It should be remembered, however, that a market need not be centralised. The traders composing a market may extend over an entire town or region of country in separated localities, and yet constitute a common market, provided that by means of *Fairs, Meetings, Prices Current, Price Lists*, the *Telegraph*, the *Telephone*, the *Post Office, Newspaper* (and other) *Advertisements*, they are brought into close communication with one another, and the knowledge that comprises a free open market is intimate and common. But markets naturally tend to concentrate in particular spots. Hence we have, amongst others, in London (and large cities like Glasgow, Liverpool, Manchester, Leeds, Bradford, etc., have equally important markets of the kind, as also do the great cities in the Colonies and Dependencies and Foreign Countries) the *Wool Exchange* or market for the sale of wool, the *Coal Exchange* or market for the sale of coal, the *Metal Exchange* for the sale of tin, copper, lead, spelter and quicksilver, the *London Commercial Sale Rooms* for the sale of tea, coffee, sugar, dried fruits, etc., the *Baltic Sale Rooms* for the sale of timber, ships, wheat, the

Stock Exchange for the sale of stocks and shares—the last, so numerous are the transactions and so various the descriptions of stocks and shares dealt in, being subdivided into different markets, *e.g.* the *Consols Market* for dealings in Consols, the *Railway Market* for dealings in railway stocks, the members composing the separate markets forming themselves into special groups at particular spots on the floor of the House.

TEST PAPER VIII

1. Distinguish between Barter and Sale.
2. Define the following: Trade, Commerce, Industry.
3. Explain the meaning of the word "contract," and as fully as you can a "contract for the sale of goods."
4. In what ways may a contract for the sale of goods be made?
5. Explain "Document of Title."
6. What are the essentials in any written contract for sale of goods?
7. Explain "Condition" and "Warranty" with reference to sale of goods.
8. What is the meaning of "Caveat Emptor" and does it always apply in the sale of goods?
9. What do the letters G.M.Q. stand for?
10. To what points do the terms of a contract for the sale of goods usually relate?
11. Explain sale of goods by description, by sample, by type.
12. Explain the following: Loco Price, price On Rail, At Station price, Duty Paid price, Duty Free price.
13. Explain Prompt Delivery, Prompt Day, delivery Ex Ship and Ex Quay, Forward Delivery and delivery Free Overside, To Arrive.
14. State what you know regarding a seller's Right of Lien and Stoppage in Transitu.
15. When do goods sent O/S or return become the consignee's property?
16. Define Arbitration.
17. Mention the main classes into which Trading Houses are divided.
18. Define Agent and distinguish between a Factor, a Broker and an Auctioneer.
19. What is a Del Credere Agreement and why should it arise?
20. Explain the word "Market."
21. How does a Special differ from a General Agent? Is a stockbroker a Mercantile Agent?
22. When is a contract for sale of goods to the value of £10 or over enforceable in the absence of a written contract?
23. What are "Implied Conditions and Warranties"? Give examples of conditions and warranties usually implied in sale of goods.
24. Distinguish between Specific and Future goods.
25. Write out clearly from the notes below the reply to the following letter: 14 Charlton Road, Sanderstead, 10th August, 1924. Dear Sir, As I see from an advertisement in one of the daily papers that you have a Drapery business for sale in Kent, I shall be much obliged if you will

favour me with particulars. Yours faithfully, Sydney Jackson. To Mr. Herbert Burrows, Auctioneer, 10 Moorgate Street, E.C.

Notes for Reply: The business comprises a Grocery, Drapery and Outfitter's business. Situated at Maidstone. Takings last year £3,500 roughly. Has been established 100 years and in same hands 20 years. Premises comprise: 3 shops, all adjoining, 7 rooms, nice yard, garden, stabling and storehouse. Price, including all fixtures, horse and van, and stock £950. About £400 of purchase money could remain. Will bear investigation. Owner retiring. (*Royal Society of Arts.*)

26. Make out an invoice for the following goods, ruling on your working paper a form for the purpose: 2 doz. Cotton Streamers (assorted cols.) @ 8*s.* 9*d.* per doz.; 3 doz. Red Ensigns, 15 ins. x 12 ins. @ 1*s.* 8*d.* per doz.; 48 yds. 52 ins. Blue Serge @ 1*s.* 5½*d.* per yd.; 36 yds. 30 ins. Red Twill @ 3¾*d.* per yd.; 6 Union Jacks, 4 yds., @ 18*s.* 9*d.* each; 20 yds. 18 ins. Green Bunting @ 8¼d. per yd.; 1 Case charged 3*s.* 6*d.* Per London, Midland, and Scottish Ry. Carr. Pd. (*West Riding C.C. Elem.*)

27. Explain the following abbreviations: O/S; D/O; N.B.; *e.g.*; *i.e.*; p.a.; T.M.O.; T.O.; E.C.

R. Mullellaym

28. What is a mercantile person? Enumerate as many different mercantile persons as you can and state clearly their functions.

29. What is the difference between a contract of sale and an agreement to sell?

CHAPTER IX

SALE OF GOODS AT A CENTRALISED MARKET

THE LONDON COMMERCIAL SALE ROOMS

It will be useful to trace the procedure for effecting sales of goods at one of these centralised markets, and the methods adopted by the buyers for the subsequent disposal of the goods.

Suppose you are an importer of dried fruits carrying on your business at 26 Mincing Lane, London E.C., under the style of L. Ramirez & Co., and that you have arranged with your Spanish correspondents at Denia and Malaga for the following consignments:

258 Trays Muscatels, T.M., 5 Crowns, Royal Clusters,
400 ½-boxes Valencias, P.J., Fine Selected,

the first to arrive by the s.s. *Cid* about 15th November, and the second, by the s.s. *Arana* arriving about the same date. The consignments (in actual practice they would of course, be far larger than is here assumed) are made, and on arrival taken into a Bonded Warehouse. It should be mentioned that there is a customs duty of 2/- per cwt. on currants and 7/- per cwt. on many other descriptions of imported dried fruits, so that the goods must remain under Government supervision till the duty is paid. Certain evaporated fruits are admitted free, and Colonial dutiable fruits receive preferential treatment—the duty on these being 5/6.

Your correspondents in Denia and Malaga have periodically advised you by letter and cable of the extent and character of the Spanish dried fruit crop, of the composition and quantity of the shipments made to other importers, your trade rivals; while you yourself have carefully noted the prices realised for the different descriptions and marks; and have made as close an estimate as possible of the present and future requirements of the British market. Taking all this data into consideration you decide that an immediate sale of your consignments offers the best chance of remunerative prices. You accordingly instruct your brokers, Messrs. Jansen & Phipps, to offer the two consignments at public auction, without reserve, at the London Commercial Sale Rooms, on the 26th November, their next sale day.

The brokers include your consignments, with others, in their *Sale Catalogue*, which shows the number and composition of the lots into which the various consignments have been divided for sale purposes, and the conditions under which the lots will be sold. In this case the conditions are those agreed upon by the Dried Fruit Association (a kind of guild or trade protection society), composed of all the brokers and wholesale dried fruit dealers. The brokers send the catalogue to all likely buyers in London, and as a result of this publicity, and the demand for the goods, the brokers, when they mount the rostrum at the sale rooms, are confronted by a large number of wholesale dealers desirous of securing portions, or, should there be a scarcity, the whole of the goods. The brokers, who in the dried fruit trade are also the auctioneers, put up the lots one by one, and knock them down to the highest bidder, entering in their catalogue the names of the buyers, the lots bought, and the prices paid.

Assume now that I am a bidder, and that the following lots were knocked down to me.

Lot 38. 250 ½-boxes Valencias P.J. @ 47/-.
„ 324. 200 Trays Muscatels, T.M. 5 Crowns @ 110/-

The brokers enter the details of this sale in their book, and I also make a similar note in my catalogue. The following day I receive from the brokers a contract note.

CONTRACT.

12 MINCING LANE,
Mr. John K. Grebby, LONDON, E.C.
15 *Eastcheap, E.C.* *27th November,* 1934.

WE HAVE THIS DAY SOLD TO YOU ON A/C OF OUR PRINCIPALS

250 *½-boxes Valencias P.J. ex " Arana "* 47/-.
200 *Trays Muscatels T.M. 5 Crowns ex " Cid "* 110/-.

BROKERAGE ½ %
DISCOUNT 1½ % JANSEN & PHIPPS
PROMPT *7th December,* 1934. *C. Jansen.*

The student will remember that a bid at auction is a verbal contract, and that when the goods are knocked down to the bidder the contract is complete. The contract note is therefore a memorandum of the contract. In the above note there is no disclosure of the principals for whom Jansen and Phipps are acting. The assumption is, therefore, that Jansen and Phipps' principals are a reliable firm of importers. If there were any doubt on that point, their names would be given, so that in case of default Jansen and Phipps' buyers would know from whom they were to seek redress. Contract notes for goods are not stamped, but contract notes for stocks and shares must be stamped. For scale see Chapter on Stock Exchange.

Soon after the receipt of the Contract Note I receive from the brokers a bought invoice for my purchases. To save detail I will confine myself to the first item on the contract note, for the principle is the same no matter what the quantity may be.

'PHONE 1876 HOP.
TELEGRAMS "SENIPP, LONDON."

12 MINCING LANE, LONDON, E.C.
28th November, 1934.

Mr. John King Grebby, 15 *Eastcheap, E.C.*

Bt. of **JANSEN & PHIPPS**

W. B. 63/66 250 ½-*boxes Valencias P.J. ex " Arana."*
cwt. qr. lb.
LOT 38. CUSTOMS AVERAGE 1000 = 247 0 21 net.

250	*74* *12*	*2* *1*	*26* *3*	5½ lb.*						
	62	*1* *2*	*23* *6*	†						
	61	*3*	*17*	@ *47/-* per cwt.				*145*	*9*	*4*
Discount *1½* %					*2*	*3*	*8*			
Lot money *6d.* Brokerage ½ % *14/6*						*15*	*0*	*1*	*8*	*8*
								144	*0*	*8*
Allowance damage ***nil***										
‡Duty allowed 250 61 3 5 @ 7/-								*21*	*12*	*7*
								£122	*8*	*1*

Payment Saturday *7th December, 1934.*
D.B. *19/88.* **E. & O. E.**

*** This is the Tare, viz. 5½ lbs. per ½-box.**
† This is the Draft on the 250 ½-boxes.
‡ This weight is ¼ of 247 0 21.

Customs Average. Duty is payable on the Customs average net weight of fruit imported. It would obviously be a lengthy business to weigh and tare each of 1000 boxes separately, so the Customs authorities select one here and there and average the weight and the tare of the whole on the basis of the number actually weighed and tared. As a rule about 10 per cent. of the parcel is weighed and tared if brought to account for duty at the ship's side, but if warehoused under bond the number weighed and tared is less.

Draft. This is an allowance made by the seller to the buyer. The Customs authorities do not recognise any such allowance when averaging weight for duty.

Lot Money is, as will be seen, a charge made by the broker to the buyer for each lot bought. It is a charge akin to that made by carriers, termed *Booking,* to compensate for clerical labour in entering and invoicing, etc.

Duty Allowance on 250. A buyer of dried fruit at auction may either pay the duty on his purchases and receive from the broker a " duty paid " warehouse order, or elect to pay the duty as and when he draws the goods from bond, and receive an " in bond " delivery order. In this case I have been credited with the duty, the amount of which is included in the price of the fruit, viz. 47*s.* per cwt., and I shall accordingly receive an " in bond " delivery order. But I must pay to the Customs authorities the duty allowed to me before I can get possession of the fruit.

I pay this invoice on the due date, and then receive from the brokers an " in bond " delivery order (D/O), the brokers having previously received from you, the importer, an in bond D/O for the parcels I bought. I give below specimens of both these D/Os.

IN BOND.

26 MINCING LANE, LONDON, E.C.
November 28, 1934.

TO THE SUPERINTENDENT *Botolph Wharf*

PLEASE DELIVER TO *Messrs. Jansen & Phipps*
Ex " Arana " Rotn. No. 18300/1934.
Two Hundred and Fifty (250) *½-boxes Valencias P.J.*

L. RAMIREZ & CO.
L. Ramirez.

This is a D/O given by you, the merchant, to your brokers, Jansen & Phipps, who endorse it " Please transfer and deliver to our sub-orders—Jansen & Phipps" and then lodge it with the Wharfingers. A merchant's D/O is always an "In Bond" D/O. For the meaning of "Rotation Number," *see* Chapter XII.

IN BOND.

12 MINCING LANE, LONDON, E.C.
December 7, 1934.

TO THE SUPERINTENDENT *Botolph Wharf*

PLEASE DELIVER TO *Mr. John King Grebby*
Ex "Arana" Rotn. No. 18300/1934.
Two Hundred and Fifty (250) ½*-boxes Valencias, P.J.*
Entered by L. RAMIREZ & Co.

CUSTOMS AVERAGE 250 = 61 3 5

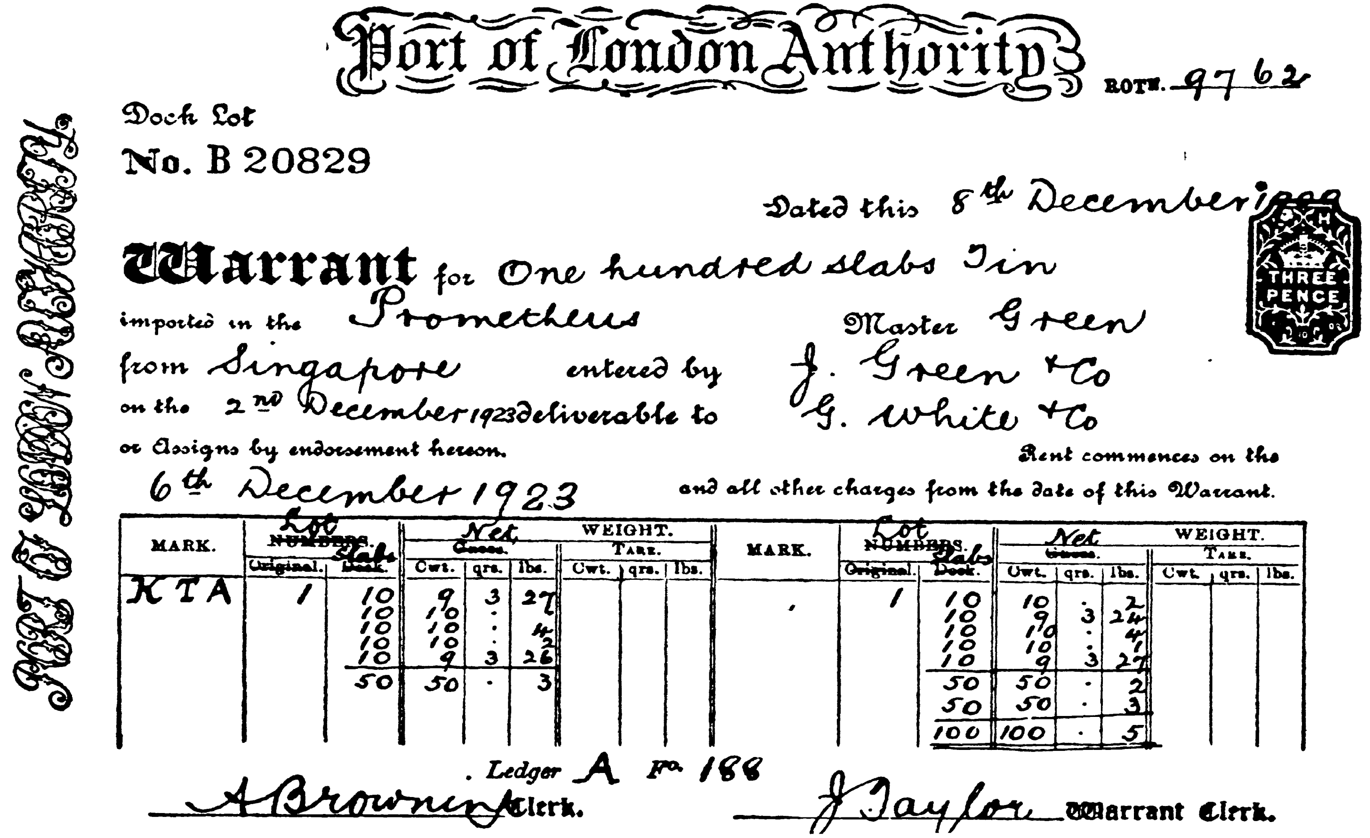
JANSEN & PHIPPS
C. Jansen.

This is a D/O handed by the Brokers to me, the purchaser. I endorse it, "Please transfer and deliver to my sub-orders—J. King Grebby" and lodge it with the Wharfingers, and as I sell the goods to my customers I issue delivery orders to them either "In Bond" or "Duty Paid" as may be arranged between us, or I release the goods from bond myself, and deliver the goods to my customers straight from the wharf. These Delivery Orders must not be confounded with Dock Warrants. A *Dock Warrant* is a Document of Title, but these D/Os are not. A specimen D/W is appended (*see* p. 152), and the student will note that it is stamped.

I have now dealt with my purchase so far as the Broker is concerned, but the Broker has yet to account to you, his principal, for the proceeds of sale. This he does by rendering to you an account sales (A/S) given on p. 153, and enclosing with it his cheque in settlement.

My object is now to sell the 250 ½-boxes Valencias which I have bought from Jansen and Phipps, and for which I hold a D/O.

I add to the price per cwt. I paid the brokers a percentage



Port of London Authority

ROTN. 9762

PORT OF LONDON AUTHORITY

Dock Lot

No. B 20829

Dated this 8th December 19[illegible]

THREE PENCE

Warrant for One hundred slabs Tin

imported in the Prometheus Master Green

from Singapore entered by J. Green & Co

on the 2nd December 1923 deliverable to G. White & Co

or Assigns by endorsement hereon. Rent commences on the

6th December 1923 and all other charges from the date of this Warrant.

MARK.	Lot ~~NUMBERS.~~		WEIGHT.						MARK.	Lot ~~NUMBERS.~~		WEIGHT.					
			Net ~~Gross.~~			TARE.						Net ~~Gross.~~			TARE.		
	Original.	Slabs ~~Dock.~~	Cwt.	qrs.	lbs.	Cwt.	qrs.	lbs.		~~Original.~~	Slabs ~~Dock.~~	Cwt.	qrs.	lbs.	Cwt.	qrs.	lbs.
KTA	1	10	9	3	27				,	1	10	10	·	2			
		10	10	·							10	9	3	24			
		10	10	·	4						10	10	·	4			
		10	10	·	2						10	10	·	1			
		10	9	3	26						10	9	3	27			
		50	50	·	3						50	50	·	2			
											50	50	·	3			
											100	100	·	5			

. Ledger A Fo. 188

A Browning Clerk. J. Taylor Warrant Clerk.

PHONE HOP 1876. 12 MINCING LANE, LONDON, E.C.
TELEGRAMS "SENIPP, LONDON." *7th December*, 1934.
Messrs. L. Ramirez & Co., 26 *Mincing Lane, E.C.*
400 ½-*boxes Valencias ex " Malaga."*

Sold by **JANSEN & PHIPPS**

W. B. 63/128. LOT 130.

400	*118*	*3*	*0*							
	18	*3*	*0*	5¼						
	100	*0*	*0*							
		3	*16*							
	99	*0*	*12*	@ *52/-*				*257*	*13*	*6*
				Discount *1½* %	*3*	*17*	*4*			
				Brokerage *1½* %	*3*	*17*	*4*			
				Guarantee ½ %	*1*	*5*	*10*			
				Lot Money Public Sale Expenses		*2*	*0*			
				Incidentals, Stamps, &c.			*5*			
				Duty *400/100* @ *7/-*	*35*	*0*	*0*			
				Interest on Duty		*4*	*10*			
				Entries		*3*	*0*			
				Freight	*4*	*2*	*6*			
				Interest on Freight			*4*			
				Wharf Charges, Consolidated Rate	*3*	*11*	*3*			
				Wharf Charges, Rent	*1*	*16*	*0*			
				Fire Insurance		*6*	*6*			
				Allowance Damages	—	—	—			
								54	*7*	*4*
				D. B. *19/22* E. & O. E.				*203*	*6*	*2*

This account sales does not relate to my purchase of 250 ½-boxes *ex Arana*, but to another sale of 400 ½-boxes ex s.s. *Malaga*, made by Jansen and Phipps on your behalf. The principle, however, is exactly the same.

sufficient to provide my profit, say 10%, and then a percentage sufficient to cover my establishment charges, say 5%.

The Valencias cost me . . .	47/-
Add 10 % for profit (say) . .	5/-
	52/-
Add 5 % Establishment charges, say	2/8
Lowest price at which I must sell .	54/8 say 55/-

In the same way that the brokers advertised their sale so I proceed to advertise mine. But my advertising must be more pointed and extensive than the brokers', because the retail distributors to whom I sell do not, like the wholesale dealers, congregate at particular spots to buy goods. They are scattered throughout London and the Provinces, and are solicited to buy the same class of goods that I offer them by quite a number of wholesale dealers, who compete with me for their custom. I therefore periodically issue a *Price Current*, giving the different goods I stock, and quoting lowest and highest prices, according to quality, of each kind. The prices quoted are rather "wide" prices, *i.e.* they are not necessarily the actual prices I am prepared to take, and they leave room for bargaining.

Extract from Dried Fruit Dealer's Price Current

CURRANTS—NEW

	per cwt.				
	s.	*d.*		*s.*	*d.*
Vostizza, finest bold, shade dried	64	0	to	68	0
,, fine ,,	60	0	,,	64	0
,, good ,,	58	0	,,	60	0
Panarita, finest ,,	——			——	
,, fine black	50	0	,,	52	0
Gulf, choice bold	51	0	,,	53	0
,, fine free	——			——	
Patras, bold free	48	0	,,	49	0
,, good useful	46	0	,,	47	0
Amalias, fine bold	42	0	,,	43	0
Provincial, fine free	40	0	,,	41	0
,, good free	——			——	

VALENCIAS

			per cwt.	
			s.	*d.*
Very choice	¼	boxes	56	0
Choice, bold	¼	,,	49	0
Fine, selected bold	¼	,,	47	0
Fine selected	¼	,,	44	0
Good selected	¼	,,	40	0
Selected, faced	¼	,,	38	0
Selected, bold	½	,,	38	0
Selected, fresh-looking	½	,,	36	0
Selected, good	½	,,	34	0

In addition to this Price Current I send out from time to time a list headed *Special Offers*. It may happen that I have bought some lines of goods particularly cheap, or of more than usually good quality, or that I am overstocked with some descriptions of dried fruit and wish to get rid of them quickly. I am consequently prepared to take a comparatively low price for the goods. The prices quoted in this list are the actual prices at which I am prepared to sell. In both these advertising media then I mention *Valencias*, qualifying the entries in the "Special Offer" list by descriptive epithets "Exceptionally Choice selected" or "Fine selected, very fat," etc. I send my Price Current and my special Offer list far and wide amongst my customers, some of whom send me inquiries for the goods. At the same time I give my travellers sample packets of the fruit, made up from bulk, with the cost price (in cypher) and selling number marked on the outside (this cost price is my estimate of the market value of the fruit and is not the actual buying price). My travellers show these samples to the customers on whom they call, and endeavour to sell them parcels of the fruit at as good a price as they can get. We will follow up a successful call of one of my travellers. He has induced Messrs. Ward and Phillips, Grocers, of 16 Meadow St., Guildford, to give him an order for 25 ½-boxes of Valencias @ say, 56/-, which order he has duly noted in his pocket-book at the time of taking it. The same day he writes up and forwards to me his daily report of calls, inquiries, orders, etc.

Return Address:
OLD PACK HORSE HOTEL,
DOVER.

BULL'S HEAD HOTEL,
GUILDFORD.
12th *December*, 1934.

DEAR SIR,

Yours of yesterday's date is to hand and contents noted.

Summerscales.—I trust you have despatched the order wired to-day, confirmation of which is enclosed.

Woodman.—I am sorry to report no business. Woodman is a difficult man to deal with, professing to be able to buy cheaper elsewhere, though I quoted him rock-bottom prices at the finish. I believe he is tied to Finch.

Heywood.—I shall be able to do nothing with this buyer until the question of tare on the last lot of Patras is settled. Can you not meet him? He is a large buyer and ought not to be lost for the sake of a pound or two.

Cheques.—Summerscales	.	£32 7*s*. 6*d*.
Ward & Phillips	.	£18 2*s*. 9*d*.
Greenleafs, Ltd.	.	£135 10*s*. 9*d*.

Orders.—Summerscales (confirmation of wire).
Ward & Phillips
Greenleafs, Ltd.
Johnson & Co.

If you have anything very special post me samples to Dover. There are one or two men there always open to consider good lines.

Yours faithfully,
ARTHUR WHITEHEAD.

These orders are passed on to the clerk at the Country Desk, who sees that the goods are promptly despatched, and that the weights and particulars are filled in the Rough Book, and handed to the invoicing clerk for invoicing.

TELEPHONE 1586 HOP
TEL. ADDRESS "CERES, LONDON"

15 EASTCHEAP, LONDON, E.C.
December 13, 1934.

Messrs. Ward & Phillips, Guildford.

Bot. of JOHN K. GREBBY

Wholesale Dried Fruit Merchant.

Terms 1 % 1 mo.

25 P. J. Ex " Arana "	½-Bxs. Valencias						
	7 2 14						
	1 0 25½ 5½ lbs.						
	6 1 16½						
	2						
	6 1 14½ @ 56/-				17	17	4
				1%		3	6
					£17	13	10

Thus, by orders received by me direct from customers, or by inquiries subsequently resulting in direct orders or by the agency of my travellers, I dispose of the 250 ½-boxes Valencias to the retail distributor and realise my profit. He, in turn, adopts a similar procedure to dispose of his purchase from me. He may with pardonable exaggeration announce in the local papers that he has received a specially choice consignment of Valencias which he is prepared to sacrifice at the unprecedently low price of so much per lb., etc. He may cover his windows with bills to the same effect, distribute handbills or even samples of the fruit, or adopt other kinds of advertisement according to the measure of his inventive faculties, the scope of his trade, and the strength of his purse. On the other hand he may be one of those retail traders still happily existent, whose reputation for judgment in buying, honesty in dealing and civility of manner, "whose goodwill," in short, is their own best advertisement, enabling them to dispense with the more flaming kind of publicity. And thus he too, in time, disposes of his stock to the public, realising a profit on his expenditure.

Altogether, then, there have been four distinct classes of operation, viz.:

(1) Importation of dried fruit by the Import Merchant.
(2) Sale by auction of the consignment in lots by the Brokers acting for the merchant.
(3) Purchase by the wholesale Dealer from the Broker in large parcels and sale by him, in smaller parcels, to the Retail distributor.
(4) Purchase by the Retailer in small parcels, and sale by him to the general public in lbs., ½-lbs., etc.

Each of these operations has been effected by means of the market, and the use of advertisement, the base supporting all the operations being the demand for the goods by the general public.

The student is informed that some descriptions of dried fruits, *e.g.* Currants, are never sold at auction but by private treaty—the dealers inspecting the samples at the brokers' offices, and terms being arranged between Broker and Wholesale dealer, in the same way that a retail dealer sometimes arranges his purchases at the offices of a Wholesale dealer.

THE WOOL EXCHANGE

The student who reads attentively the previous section dealing with the sale of dried fruit at the London Commercial Sale Rooms will have a very fair notion of the procedure followed, but inasmuch as the procedure at these centralised markets is not uniform, I have thought well to supplement that description by giving an account of the methods of sale adopted at the London Wool Exchange.

The three great centres for the Public Sale of Wool in Europe are London, Liverpool, and Antwerp. Broadly speaking, London is the centre for Colonial Wool and Sheepskins ; Liverpool for East India Wool ; Antwerp for River Plate Wool. In addition to these there are the various sales of English home-grown wool which take place at the different fairs held throughout the country, the Leicester Wool Fair being one of the most important.

A large proportion of the Australasian Clip, is, however, now sold in the Colonial markets, sales taking place regularly between October and March in Sydney, Melbourne, Geelong, Brisbane, and Adelaide ; in Tasmania, and also at various centres in New Zealand. The same remark is true of South Africa—weekly sales taking place at Durban, Port Elizabeth, and East London. And also of the River Plate Clip, the greater bulk of which is sold in Buenos Aires and Montevideo, the wool being brought into the central markets and there disposed of by tender or private contract, after which it is graded, press packed, and shipped to various consuming districts.

Of European centres London is by far the largest, the sales averaging over 1,000,000 bales per annum. A bale of Colonial wool weighs about 350 lbs. Wool is sold in London, at the Wool Exchange through Brokers. These Brokers number about thirty and all of them are members of "The Associated London Selling Wool Brokers," and regulate the Colonial Wool Auctions. Series of sales take place in London, Liverpool and Antwerp six times yearly, and each series in London lasts for two or three weeks, and in the other centres for several days, according to the quantity for disposal.

Colonial Wool may come from Australia, New Zealand or the Cape. A "squatter," say in Queensland, has just finished his "clip." After careful classing, the wool is packed, under pressure, into bales. It may be "scoured," *i.e.* partially cleansed before it is baled, or packed in the greasy state in which it comes from the sheep. When the baled wool reaches the port from which it is to be exported to this country, it is "dumped" by the Shipping Company and bound with flat iron hoops, thus further compressing the bales, and saving considerably on the freight, which is calculated at so much per pound on dumped bales. Many squatters, however, now prefer to sell their clips in the Colonial markets, in which case they consign them to one of the selling brokers at Sydney, Melbourne, etc., where they are duly offered in sale.

If a squatter does not follow this course he may do one of two things. He may sell his clip on the station to a class of men called "Collectors," who buy up different clips, grade them, and then ship them ; or he may ship the wool himself and endorse the Bill of Lading, Insurance Policy, and other shipping documents to a local bank or loan company, and secure an advance upon them pending the arrival and sale of the wool in London and the receipt of the proceeds by the Bank, Merchant, or Loan Company accommodating him.

In all agricultural and pastoral countries which draw the great bulk of their wealth from the sale of harvest products, pastoral products, and raw materials, the banks of the country play a great part as providers of capital. The squatter, *e.g.*, has to meet the heavy charges for labour and other out-goings connected with the sheep-shearing season at once. He cannot ask his men to wait three or four months till his clip has been sold, and he is in receipt of the proceeds. Hence the banks come to his aid, and by advancing money at interest, on the documents covering his shipments, enable him to meet the drain upon his capital resources. In times of drought, too, when large numbers of sheep die through want of water, and the squatter sees his flocks, representing thousands of pounds of capital, melting away before his eyes, the banks, by advancing funds on the security of his farm or "run," enable him to win through. This has happened, at times, in the history of Australia, and the story of the "squatter" rising phœnix-like from disasters that would have overwhelmed the farmers in older countries, offers one of the most wonderful examples of recuperative power that can be shown anywhere in the world.

Wool is thus continuously being shipped from the Colonies to London to the order of the Colonial Banks, Loan Companies and Merchants It is cleared by the consignees and deposited in one of the warehouses under the control of the Port of London Authority, or in one of the private wool warehouses, *e.g.* that of Messrs. Browne and Eagle, Ltd., Messrs. Wm. Haughton and Co., or Thomas Gooch and Sons. A merchant receiving consignments of wool (the reader will remember that in the sense in which the word is here used a Bank or Loan Company is a "Merchant") sends the particular firm of Brokers with whom he deals a "specification" of his consignments and a "sampling" order. The broker then sends the sampling order to the warehouse where the wool is deposited, and the warehouse people draw from each bale a 1 lb. sample. These samples are conveyed to the sampling-room in the Brokers' office, and are closely inspected and valued. This done, the Brokers send the Merchant a "report" on the wool and a "valuation," and subsequently ask for instructions as to when the wool is to be sold.

The sales are arranged by the Selling Brokers amongst themselves. Each series of sales begins on a Tuesday. Eight days before the opening sale-day of any series, the list of arrivals is closed, and no consignments arriving after that date can be included in that series. A merchant whose consignments had arrived in time might, however, consider that he stood a better chance of securing satisfactory prices by withholding his wool from the market for a time. Hence the Brokers take the merchants' instructions as to the particular sale in which their consignments are to be offered. Seven days before the opening sale-day the Selling Brokers meet and arrange the order of sales. The order is that of most importance—the Brokers taking precedence according to the quantities of wool they have to offer. The Brokers arrange the various clips into Lots, and a description of each Lot is printed in a catalogue, together with the Conditions of Sale. I give two or three typical extracts from a Catalogue :

Ex "PRINZ REGENT," Cape

	Lot	Mark	Tare lbs.	Bales
Ex. Super Snow White	133	WAS	9	20

Ex "POLYPHEMUS" & "GEELONG," Sydney

	Lot	Mark	Tare lbs.	Bales
Scoured Ex. Super Combings	44	PINE VALLEY R.S.M.	11	7

Ex "OSTERLEY," West Australia

	Lot	Mark	Tare lbs.	Bales
Greasy Combing	224	J.S.L. (New Clip)	12	6

This catalogue is not always sent away to buyers, for all buyers of wool know when the wool-sales take place, and come to the Wool Exchange from all parts of the world. The sale dates are arranged for the year by the Colonial Wool Merchants' Association, and are duly advertised to the Trade by printed cards, etc. Buyers call or send for copies of the different Brokers' catalogues and then proceed to the Wool Warehouses at the Docks or elsewhere and inspect the wool. On sale-days the Sale Room is thronged with an excited crowd of eager buyers—the sale commencing at 4 P.M. each day. To the uninstructed onlooker the scene is bewildering, and it is impossible to tell who has bought any particular lot or what has been paid for it. But it is all clear to those who take part. A buyer may bid himself—"through the chair" as it is called—or he may instruct a "Buying" Broker to bid for him. A buying Broker charges his client a commission for his services. The commission varies with circumstances. A buyer personally attending a sale and giving the Buying broker explicit instructions would not be charged so high a commission as would a buyer who did not attend the sale, but gave general instructions, and relied more completely on his Broker's skill and knowledge. The lots are knocked down to the highest bidder. Bidding up to 8*d.* per lb. advances by ¼*d.* a lb. bids. Beyond 8*d.* per lb. bidding proceeds by ½*d.* per lb. As the lots are knocked down the selling Broker enters the name of the bidder and the price paid in his sale catalogue. The bidder also makes a memorandum in his catalogue of his bid, but no document then passes between Broker and buyer. After the sale is concluded the buyer "claims" the lot or lots bought by him, and he then receives from the Selling Broker one Invoice for the whole of his purchases. The following is a specimen of the invoice:

18 COLEMAN STREET, LONDON, E.C.
December 16, 1934.

Messrs. John Jones & Co.

To **PALGRAVE BROS. & CO.**

a/c Principals

For *80* Bales of *Colonial* Wool   Payment as per Catalogue

Lot	Bales	Tare	Gross	Tare and Draft	Net	Net lbs.	Price	£	s.	d.
1	33	12	107 3 2	4 2 0	103 1 2	11566	25	1204	15	10
2	47	12	152 1 3	6 1 16	145 3 15	16339	27	1838	2	8
	80	Bales						3042	18	6
					Lot Money				2	0
								£3043	0	6

Due Cash *December* 30, 1934.

E. & O. E. London, *December* 20, 1934.

As will be seen, the invoice must be paid within fourteen days from date. This is called the " prompt " day. If it is not paid by that time the buyer is adjudged to have made default. His purchases are confiscated. They are resold either by auction or private treaty, and the defaulting buyer must pay all charges accrued for Warehouse rent, Insurance, etc., incurred by the default, and make good any difference between the prices realised at the original sale and the resale, *i.e.* assuming that the price obtained at the resale is less than that obtained at the original sale. It is a striking commentary on the good faith of our merchant classes when one is able to add that default is practically unknown and may be left out of account. If the buyer desire delivery prior to the expiration of prompt he can only obtain it by paying the invoice, or, if the invoice is not ready, an equivalent estimated amount. When the buyer has paid the invoice or the equivalent estimated amount, the Broker hands him a D/O, copy of which is given below.

Seller's Charges to Deposit Account. Buyer's Charges to Bearer.

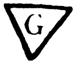
PALGRAVE BROS. & CO.

No. Public Sale *December* 16, 1934

LONDON, *December* 20, 1934.

To Superintendent *Wool Floor, London Docks*

Please deliver to *Messrs. John Jones & Co.* or order the following *Eighty* Bales Wool

Lot	Bales	Mark	Ship	To be Marked
1	33			 1/33
2	47			
	80 Bales			" 34/80

Palgrave Brothers & Co.

Please mark as above, and deliver to the order of

The Great Western Ry. Co.

John Jones & Co.

Wool is sold by the weight, and the weight of any particular bale is the weight disclosed by the warehouse keeper's scales, less the tare specified in the same list. The most common tares allowed are 11 or 12 lbs. per bale. The custom of the London colonial trade, however, allows a draft of 1 lb. per cwt. from the weights to cover accidental deficiencies attributable to atmospheric causes.

The Selling Brokers, having sent out their invoices to the Buyers, render to each Merchant on whose behalf they sold goods an "Account Sales"—a specimen will be found below—and on the "prompt day" hand the Merchant a cheque for the amount due.

ACCOUNT SALES of *80* Bales WOOL, ex "*Victoria*" @ *Australia*

SOLD by order and on account and risk of *Messrs. Hardy, Mann & Co.*

by **PALGRAVE BROTHERS & CO.**

18 COLEMAN STREET, LONDON
December 16, 1934.

Draft 1 lb. per Cwt.

Mark	Lot	Bales	Tare	Gross Weight	Tare & Draft	Net Weight	Net lbs.	Price		
X	1 2	33 47	12 12	107 3 2 152 1 3	4 2 0 6 1 16	103 1 2 145 3 15	11566 16339	25 27	1204 15 10 1838 2 8	3042 18 6
		80	Bales							
				CHARGES						
				Freight £66 0 0. Interest—					66 0 0	
				Consolidated Rate 80 at 4/-					16 0 0	
				Rent						
				Auction Expenses 80 Bales at 4*d.*					1 6 8	
				Fire Insurance £3300 at 2/9 %					4 10 9	
				Brokerage on £3042 18 6 at ½ %					15 4 4	103 1 9
				Net proceeds due Cash December 30, 1934 £						2939 16 9

E. E. London, *December* 20, 1934

When the Selling Broker has concluded his sale he issues a priced catalogue, giving the actual price obtained for each lot. This priced catalogue serves as a contract between the Selling Broker and his principals, and by being distributed among shippers and others, enables them to judge to a certain extent the demand for wool, and the values set upon the many different grades. In the catalogue before me the prices obtained varied from 10*d.* per lb. for "Scoured Grey Cape Wool" to 2*s.* 3*d.* per lb. for "Scoured Ex. Super Combing" from Australia. Wool may be, and is, sold by "Private Treaty" as well as at auction. When sold by Private Treaty in London the conditions of sale between Broker and Buyer are whatever they may mutually determine, but are, generally speaking, Public Sale terms.

It should be remembered that the extent of the Clip has a determining influence upon the prices obtained for wool. All persons interested in the wool trade are continually receiving reports from the great producing countries, and by carefully comparing them with previous years they endeavour, as far as possible, to estimate the shortage or surplus over the probable demand, and arrange their buying or selling, as the case may be, accordingly.

The Conditions of Sale in the Colonial markets differ somewhat from the London Public Sale terms, the main points being that the bids are made by ¼*d.* per lb. no matter what the price is, and also that the buyer pays the Selling Broker a delivery charge varying from ⅛*d.* per lb. to 2*s.* 9*d.* per bale. In London there are no charges whatever to the buyer, except the 1*s.* per lot, the wool being delivered free Ex Warehouse.

In the case of wool the bales bought go straight to consuming centres—Bradford, Huddersfield, and the other great towns where cloth weaving is carried on.

TEST PAPER IX

1. What is a Contract Note? Are contract notes for sale of goods stamped.

2. Define Customs Average. When averaging weight for duty do the Customs Authorities take draft into consideration. What is Lot Money?

3. Name four kinds of D/O's used in connection with dutiable goods. Distinguish between a D/O and a D/W.

4. Define A/S.

5. Explain Price Current, Special Offer List, and state the purposes they respectively serve.

6. Explain the procedure followed by a wholesale merchant in the dried fruit trade in effecting sales to the retail dealers.

7. Write out an invoice for 50 x ½ Bxs. Valencias sold by Messrs. Richard James and Co., 4 Eastcheap, London, E.C., to Mr. Joseph Gardiner, Grocer, Hull, on Nov. 14th, 1924. Gross weight, 13 cwts., 3 qrs. 4 lbs.; tare, 5½ lbs. per ½ Bx.; draft, 4 lbs.; Mark ST ex Malaga. Price, 58*s.* per cwt. Discount 1 % 1 month.

8. Write a letter to Price and Co., Albion St., Leeds, as from B. Calvert of Union St., Kidderminster, asking for information in regard to the

business standing of Clarkson and Co., Nottingham, and also whether credit to the extent of £100 may be ventured. (*Mid. Count. Union Int.*)

9. State the smallest and the largest amounts for which postal orders are issued, and say why counterfoils are attached to postal orders. (*West Riding C.C. Elem.*)

10. Why are postal orders more popular than money orders? (*West Riding C.C. Elem.*)

11. What is the nature of the reductions made by a selling broker when rendering A/S to his principals?

12. Explain the following commercial terms and abbreviations: Gross, Tare, Net, P.O., pcs., Enclo., ult., Prompt Cash, Messrs., 1 mo. net. (*West Riding C.C. Elem.*)

13. Give abbreviations for five of the following: Last month, Messieurs, Postscript, Morning, Debtor, Per Hundred. (*Mid. Count. Union Elem.*)

14. Make out an invoice of the following goods sold on Jan. 1, 1924, by Marsh and Sons, 16 Queen St., Nottingham, to Charles Young, Worcester: 199 yds. Cloth @ 1*s.* 10*d.*; 267 yds. Serge @ 2*s.* (*Mid. Count. Union Elem.*)

15. Deduct 2½ % dis. and say how you would remit the money. Show letters accompanying the remittance and acknowledging its receipt. (*Mid. Count. Union Elem.*)

16. Give the cost of a parcel of samples weighing 9½ lbs. sent by Parcel Post from Liverpool to Edinburgh. (*Lancs. and Ches. Union Int.*)

17. Describe how you send an express letter. (*Lancs. and Ches. Union Int.*)

18. Name some of the various ways allowed by the postal authorities for the addressing of inland telegrams. (*Lancs. and Ches. Junior*)

19. State the nature of the charges which must be added to the cost price of goods to arrive at a remunerative selling price. Illustrate your answer.

20. A tradesman wishes to send £5 in payment of an account. State the different ways in which this can be done. (*N.U.T. Elem.*)

21. In transmitting an inland telegram what would be the charge for the following words and figures: Can't, won't, 987654, 42½, 38·512, N.E., Newcastle-upon-Tyne, Regent Street. (*N.U.T. Elem.*)

22. Write four different ways of terminating a business letter. (*N.U.T. Elem.*)

23. Distinguish between a Price List and a Prices Current. (*N.U.T. Inter.*)

24. If you wish to make quite sure that a telegram from you is sent correctly, what steps would you take? (*N.U.T. Inter.*)

25. Write out an invoice for the following goods: 1 pc. Grey Calico, No. 3380, 98½ yds. 1$\frac{15}{16}$*d.*—15*s.* 10*d.*; 1 pc. 36 ins. Pure Shrunk Long Cloth, 78 yds., 5⅛*d.*—£1 13*s.* 4*d.*; 25 yds., 56 ins. Tweed, 9⅞*d.*—£1 0*s.* 7*d.*; 4 pcs. 30/1 Coloured Sateens, 177½ yds., 3⅞*d.*—£2 17*s.* 4*d.*; 1 pc. 24.-ins. Yorkshire Flannel, 66 yds., 5½*d.*—£1 10*s.* 3*d.*; 6 pcs. Dark Flannelettes, 375½ yds., 3¼*d.*—£5 1*s.* 8*d.* Deduct 3¾ % dis. and show the net amount. Sellers W. T. Brown and Sons, Birmingham. Purchaser, Richard Cox, Bilston. Date of invoice Jan. 15, 1924. (*Lancs. and Ches. Union, 2nd year*)

26. Give instances of goods which are usually sold (*a*) by sample, (*b*) by standard, (*c*) from bulk. If a purchaser of goods subsequently finds that they are not up to sample (or standard, as the case may be), what is his remedy?

CHAPTER X

PACKING AND FORWARDING GOODS

Packing. The packing of goods is usually done by a special class of persons called *Packers*, but every one ought to learn to pack a parcel of moderate dimensions neatly and securely. The main object of packing is, of course, to ensure the safety of the goods during transit, but regard should also be had to appearance, as a clumsy-looking parcel leaves a bad impression on the mind of the receiver. The student will see later that a carrier is not responsible for injury to goods through faulty packing, so great attention must be paid to this point.

Labelling Parcels. Business houses invariably use labels printed with their name and address, which are affixed to the parcels by paste. The label should show in plain bold writing the name and address of the consignee, the date when the parcel was despatched, the route to be followed, and whether carriage is paid or not. Where parcels are frequently sent to a particular consignee it is a good plan to print the consignee's name and address, so that nothing need be added but the date, the route, and particulars as to carriage.

Delivering Parcels. Goods may be delivered by (1) messenger, (2) Parcel Post, (3) carrier, (4) rail, (5) aeroplane. The last method of delivery is the most expensive, and is only suitable for valuable articles of small bulk.

Delivery by Messenger. Generally the messenger is a servant of the firm delivering. He must see that the parcel is delivered to the correct address, and into the hands either of the addressee or of some person ostensibly authorised to receive goods for the addressee. He must obtain a signature for the parcel. The signature should be in full, not merely the initials of the receiver. Where many deliveries are made in this way, the messenger is provided with a *parcels book*, ruled with spaces for (1) date, (2) name and address, (3) contents, (4) signature, somewhat as follows:

PARCEL BOOK.

DATE.	NAME.	ADDRESS.	PARTICULARS.	SIGNATURE.
19.. *15 Jan.*	*Anderson, R. Esq.*	*15 Buckingham Gate, S.W.*	*1 box containing Dress Suit*	*James Ayres*

Instead of a parcels book some firms use a *Delivery Sheet* ruled in much the same way. Others use a *Delivery Book*, consisting of printed *Receive* and *Received Notes*. The Receive note is detachable, and the particulars written upon it are reproduced by means of carbon paper on the undetachable Received note underneath. The Receive note is handed with the goods to the addressee, who signs the Received note by way of receipt. Sometimes the two notes are arranged side by side—the Receive note to the right hand—and both sets of particulars are written upon them separately. The receiver of goods, before he signs for a parcel, should be careful to see that the particulars in the parcels book, or on the Received note, accord with the contents of the parcel, and that the contents are in good condition. If he is not authorised to open and check the parcels, he should protect his employer by writing above his signature the word "un-examined," or if the parcel is torn, wet, or in other condition suggesting damage to the contents, by stating the facts against his signature. It is unnecessary to add that all parcels should be opened and examined as quickly as possible, so that, should it be necessary to make a claim, the claim may not be impaired by delay.

Delivering by Parcel Post. The P.P. is mainly used by firms where goods of small compass have been sold against cash, and the buyer has prepaid carriage, or where rapid delivery is necessary, or where P.P. is the cheapest and most convenient mode of forwarding. Parcels sent by P.P. are restricted in size, weight, and contents; whereas the restrictions by carrier and rail apply within very narrow limits to contents only. It has already been pointed out (*see* page 166) that signatures should be obtained for all parcels sent by P.P. in a book specially kept for the purpose.

Delivery by Carrier. There are several descriptions of carriers, e.g. *Local Carriers*, who operate within restricted areas connecting market towns with outlying villages; *Railway Carriers*, such as Sutton, Hayden, Billing, Bean, Pickford, Carter Paterson, The London Parcels Delivery Co., Hay's Wharf Cartage Co., etc.; *Special Carriers*, those, *e.g.*, connected with particular trades, such as the meat and fish trades; and *Bonded* or *Licensed Carriers*, employed in connection with the docks. Local carriers frequently serve districts untouched by railways. Their charges are low, and they commonly collect and deliver parcels on the same day without first of all taking them to central depots, and there sorting them according to the districts for which they are destined. The railway carriers do not always collect as well as deliver. Some of them, *e.g.* Sutton, Hayden, Billing, etc., require parcels to be delivered to them by a stated time each day. Some of these carriers make it a rule not to sign for parcels, but where they do sign, consignors should always obtain receipts. Carriers do the work cheaper than the railway companies. Their enormous traffic enables them to combine the separate parcels into large consignments, and thus make advantageous contracts with the railways. This serves the railway companies and the mercantile community equally well. The companies are relieved of the work incidental to the carriage of millions of small parcels, and traders contract with the carriers, giving them all their carrying trade, and thus secure far lower rates than could be obtained from the companies themselves. Carriers will always quote special rates for the delivery of large numbers of small parcels, and traders who periodically have to deliver many small parcels cannot do better than arrange the work with these carriers. In the book trade, drapery trade, in fact in most dry goods trades, retailers' parcels unless they individually exceed a certain weight are almost invariably forwarded by carriers.

DELIVERY BY RAIL

The rates which a railway company has hitherto been able to charge have been controlled by Act of Parliament. In 1888, Parliament decided that every railway company should submit to the Board of Trade a classification of goods and a schedule of rates. The Board of Trade considered these proposed classifications and schedules and heard objections which were brought forward by interested parties such as traders' associations. An order was then made by the Board in respect of each company, and an Act of Parliament was passed making the classification and schedule binding upon the company. Under this system merchandise was divided into eight classes indicated by the letters A, B and C and the numerals 1 to 5, and maximum rates were fixed in respect of each class. The charge for class A was the lowest, and the charges gradually increased for the various classes, class 5 being the heaviest rated. But owing to the competition of sea borne and canal borne traffic, the various railway companies found it necessary to make exceptional rates in an enormous number of cases. Before the Great War many millions of exceptional rates were being charged, about three-quarters of the whole railway goods traffic being carried at these exceptional rates. They were in all cases lower than the maximum rates. This large number of exceptional rates was found to be extremely inconvenient, and under the provisions of the Ministry of Transport Act, 1919, a committee was appointed to consider the question of the classification of merchandise with a view of eliminating these exceptional rates as far as practicable. This committee, known as the Rates Advisory Committee, has completed an entirely new classification of merchandise, which is now in operation. This classification consists of 21 numbered classes as set out below, and for the assistance of the student the corresponding classes under the expiring system are also indicated. It will continue in force until altered by the Railway Rates Tribunal, and it is provided by the Standard Terms and Conditions of that body (A, Condition 21) that merchandise will be carried subject to conditions in the Classification of Merchandise for conveyance by rail from time to time in force.

CLASSIFICATION TABLE

(As fixed by the Railway Rates Advisory Committee.)

Old Classification.	New Classification.	Quantities.	Wagons.
A	1	6 tons & upwards	In owners' wagons
	2	6 ,, ,,	
B	3	6 ,, ,,	
	4	6 ,, ,,	
	5	6 ,, ,,	In railway companies' wagons
	6	6 ,, ,,	
C	7	4 ,, ,,	
	8	4 ,, ,,	
	9	4 ,, ,,	
	10	2 ,, ,,	
1	11	2 ,, ,,	
	12	Any quantity	
	13	,, ,,	
2	14	,, ,,	
	15	,, ,,	
	16	,, ,,	
3	17	,, ,,	
	18	,, ,,	
4	19	,, ,,	
5	20	,, ,,	
Special	21	,, ,,	

The following table gives examples of the kinds of merchandise which is contained in each of the above classes.

CLASSIFICATION OF MERCHANDISE

EXAMPLES OF GOODS IN EACH CLASS

CLASS 1. Iron ore, slag (for road repairs), limestone and chalk (in bulk).

CLASS 2. Sand, manganese, chrome iron, gravel stone (undressed as quarried), fire clay.

CLASS 3. Lime (in bulk) and road-making materials.

Class 4. Salt, creosote and copperas.
Class 5. Scrap iron, lead ore, manure and concrete.
Class 6. Sulphur, china clay, bricks and girders.
Class 7. Stucco, soot, iron and steel plates.
Class 8. Grain (of most kinds), wood pulp and wire.
Class 9. Bark, marble and telegraph stores.
Class 10. Nickel, tin, hay and straw.
Class 11. Tallow, sheet lead, sugar and granite.
Class 12. Brass, and many kinds of machinery.
Class 13. Raw cotton, fir cones, oils.
Class 14. Machinery (of various kinds).
Class 15. Sago, coffee, lard, cotton and linen yarns.
Class 16. Bulbs, gridirons, most kinds of fish.
Class 17. Calendars, printed matter.
Class 18. Fire escapes, tea, tents, knife cleaners, boot laces, wash leathers.
Class 19. Camphor, cotton lace.
Class 20. Optical instruments, billiard balls, surgical instruments, silk lace.
Class 21. Gold and silver articles and statuary.

The charges for these classes increase progressively, and are based upon the actual gross weights, 2240 lbs. to the ton, ascertained at the invoicing station. Stone is charged up at 14 cubic feet to the ton. The measurement of timber varies with the kind of timber and its state (sleepers, lathwood, balks, etc.). The charges usually include collection and delivery, but not for articles exceeding 3 tons in weight, or those which, on account of their bulk, cannot be conveniently and safely carted in an ordinary delivery vehicle. The rates charged are applicable to consignments of over 3 cwts. Where the consignments are less than 3 cwts. they are charged up at a special rate, termed the "Scale for Smalls," which works out a little more than the tonnage rates. A consignment exceeding 3 cwts. is never charged less than as for 3 cwts. on the scale for smalls. Fractions of 1*d*. are charged as 1*d*. if they amount to or exceed ½*d*., if less they are dropped. This is for goods traffic; when carried by passenger trains all fractions are charged as 1*d*. When a consignment exceeds 3 cwts. any additional weight up to 14 lbs. is charged as 14 lbs.; over 14 lbs. and up to 28 lbs. it is charged as 1 qr. But the actual weight should be stated on the account.

How a Rate is fixed. Where railway systems are continuous, a railway company must carry under one contract, and at one rate; and where delivery involves the use of other lines as well as their own, the contracting company is responsible if the goods are not safely delivered. But a company is not bound to accept such responsibility, and may require a consignor to relieve it of liability from the time the goods have passed out of its hands.

In that case, if the goods are damaged, the contracting company must prove that the damage was not caused by them or their servants, otherwise they are responsible (*see* p. 172).

Local rate. This includes

(*a*) The *maximum haulage rate* per ton per mile.

(*b*) *Station terminal charges at each end.*

(*c*) *Loading and unloading charges.*

(*d*) *Charges for covering and uncovering.*

(*e*) *Accommodation and services at a private siding.*

A *Through Rate* is compiled exactly in the same way, but the haulage charge is, of course, the combined haulage charges of the companies co-operating in the carriage of the goods. The procedure described above gives the maximum rate per ton which a company *may* charge, but generally the charge actually made is less. Further, in many instances, " exceptional " rates are in force. Thus, newspapers may be sent open ends at half the ordinary rates, station to station, and special rates are in force for returned empties, etc. These " exceptional " rates, in fact all railway rates, are computed on the volume of the particular traffic for which a rate is desired, its frequency, the value of the goods, their liability to damage, their capacity to " bear " railway charges, and the existence of competitive routes. Large consignors or consignees can always secure exceptional rates, especially if the traffic is steady, and there are competitive routes open for the carriage of their consignments. The company may make a special charge for collection and delivery. Such charges must be " reasonable," and must be shown in the rate book which is kept at the station where the services are undertaken.

Standard Terms and Conditions. In October, 1927, the Railway Rates Tribunal settled the " Standard Terms and Conditions " of carriage, as they were empowered to do under the Railways Act, 1921. These were drawn up after terms and conditions had been submitted to the Tribunal by the Amalgamated Railway Companies, and after these had been heard and considered. They concern: (*a*) carriage of live stock and merchandise other than live stock at ordinary rates; (*b*) carriage of the same at owner's risk rates; (*c*) carriage of damageable goods not protected by packing. They will be found in Statutory Rules and Orders, 1927, No. 1009, and they came into force on the 1st January, 1928, which was fixed as the " appointed day " referred to in the Railways Act, 1921. It is important to remember that these terms and conditions are not obligatory. A railway company and a trader may make their own contract, if it complies with the provisions of the *Railways Act*, 1921, and the *Railway and Road Traffic Act*, 1933.

Company's Risk and Owner's Risk. A Person or Company who undertakes to carry goods for anyone is called a *Common Carrier*. Thus Railway Companies, Shipowners, Parcel Delivery Companies, etc., are common carriers. A common carrier cannot, unless he has lawful excuse, refuse to carry goods, without laying himself open to an action for damages; nor can he charge an exorbitant rate for carrying, as that is tantamount to a refusal to carry. Generally, a common carrier is an insurer of the goods he carries. He must deliver them safely, and is responsible if the goods are stolen, or forcibly taken from him, or destroyed by fire, or if he deliver them to the wrong person. But he is exempted from liability where the loss or damage is attributable to: (1) *The Act of God*, *i.e.* any unusual natural occurrence, *e.g.* a tornado, (2) *The King's Enemies*, *i.e.* the forces of a hostile government, (3) *Inherent Vice*, *e.g.* the disposition of perishable articles to decay, (4) *Negligence of the Consignor*, *e.g.* faulty packing. A common carrier may require his charges to be prepaid, and in default refuse to carry, but with business houses he generally runs an account. The student sees that the liabilities of a common carrier are fairly onerous, and years ago the Railway Companies, by special contracts contained in their consignment notes, contrived to relieve themselves of much of the liability attaching to the old time carriers. In the year 1854, *The Railway and Canal Traffic Act* was passed. By this Act no contract which sought to limit a Railway or Canal Company's liability is valid unless: (1) it is in writing and signed by the consignor or his agent and (2) the terms of the contract are "just and reasonable." The words "just and reasonable" amount to this, that Railway Companies must carry ordinary goods at their own risk at reasonable rates, but where, in consideration of some substantial inducement offered by a company, a consignor is willing to relieve them of part of their liability, and the offer and acceptance are in writing, the contract is valid. Thus goods are carried either at *Company's Risk* (C.R.) or *Owner's Risk* (O.R.). In the first case the Company incurs full liability for delay, loss, or damage through negligence; in the second case a Company (and, in respect of *through traffic*, all co-operating companies) is only liable for the loss, injury or delay arising from the wilful misconduct of its servants. "Wilful misconduct" is naturally difficult to prove. The rates for goods carried at O.R. are much lower than those at C.R., and this is the "substantial inducement" mentioned above. The remarks as to rates previously made in this chapter apply to goods carried at C.R.

O.R. Rates. Not all goods in the classification can be sent at O.R. Those that can are usually indicated by the letter Y. Unless particular goods are marked as subject to O.R. rates nothing can be gained by so consigning them. Some goods, usually very fragile articles, can only be forwarded at O.R., and for the carriage of these extra rates are charged. For all goods carried at O.R. rates a consignor must sign a company's O.R. note, otherwise the goods will not be accepted for transit. In all cases where there is a substantial element of risk the companies must give alternative rates. That is, in addition to rates for carriage at the risk of the companies, they must also give owner's risk rates.

Insurance of Goods. Generally it is not necessary to insure goods forwarded by rail. But it is provided by the *Carriers Act*, 1830, that a common carrier by land shall not be responsible for the safety of certain small but valuable articles, gold or silver coin, gold or silver, precious stones, watches, clocks, etc., trinkets, bills and notes, stamps, maps, writings and deeds, paintings, engravings, etc., gold or silver plate, glass, china, furs, lace. "Silk" was removed from the list by the Railways Act, 1921, exceeding £10 per packet in value, unless the nature of the articles and their value are declared at the time of handing in the goods, and the carrier is paid an increased rate for the increased risk. In the case of railways, the amount is increased from £10 to £25 by the Railways Act, 1921, S. 56. Where such goods are duly declared, and the increased rate is paid, a carrier is fully liable for injury and loss; but otherwise he is not. In all such cases, a consignor should obtain a receipt for the parcel. A carrier must, if required, give a receipt for such goods.

Carriage by Passenger Train. Railway Companies carry all kinds of goods by Passenger Train, except dangerous goods and very bulky goods, but, by law, they are only bound to carry goods comprised within the following three divisions of "Perishable Goods." Div. I. Milk. Div. II. Fresh Butter, Soft Cheese, Cream, Eggs, Prime Fish, *e.g.* Salmon, Soles, Lobsters, Turbot, etc.; Hot-house Fruit and Vegetables, Dead Game, Poultry and Rabbits, Fresh Meat. Div. III. Common Fish, Fruit (except that included in Div. II.), Ice. The rates are arrived at on the same principles as those which determine the rates per goods train. Unless goods are of a perishable nature, or are urgently wanted, they should be sent by goods train, as the rates for goods train are much less than those for passenger train. Certain kinds of goods may be carried per Passenger train at O.R. at lower rates, but the consignor must sign an O.R. note before the company will accept them at those rates. The rates include Collection and Delivery within the usual limits where arrangements for these services are in force. But the whole system of railway rates is under revision, and standard rates will soon be published.

Delivering Goods to Railway Company. Goods are usually collected from consignors by the companies themselves, but they may, of course, be delivered by the consignors to the companies at any of their duly appointed receiving offices. The companies supply consignment notes, either detached, or in blocks of forms. A consignment note contains on the back the conditions upon which the companies carry the goods. It is the *contract* between the carrier and the consignor. There are several varieties of consignment notes : (1) The C.R. note, (2) the O.R. note, (3) the note used when damageable goods, improperly packed, instead of being refused, are accepted for carriage at O.R. instead of C.R., (4) the

CONSIGNMENT NOTE FOR GOODS TO BE CONVEYED AT

To the *London and North Eastern* *Railway Company.*

Receive and forward by Goods Train as per address and particulars on this

Sender's Pro. No.

This Agreement shall be deemed to be separately made with of the transit (herein respectively referred to as the Company)

Signature of Sender or his Representative *William Watkins.*

Senders must fully and accurately describe the contents of packages and

Owner and Wagon No.	To what Station and Railway to be sent.	CONSIGNEE. NAME AND FULL ADDRESS.	No. of Articles	Description of Goods and Marks.
	Peterborough.	*John Abbott,* *15 High St.,* *Peterborough.*	2	*Boxes Typewriters*

Name of Carter ________ *Van Number* ________ note for dangerous goods, (5) the note for the carriage of bullion, etc. Specimen of a consignment note is appended. The particulars to be filled in on the consignment note are name and address of consignee, number of packages, description of goods and marks, weight, and whether the consignor or the consignee is to pay the carriage ; the consignor also signs his name and address. The carman receiving the goods on behalf of the company signs his name on the counterfoil, on which the consignor for his own use

CARRIERS' RISK. *For one destination only.*

King's Cross Station. *June 20th,* 1935.

Note the undermentioned Goods on the Conditions stated on the other side.

Railway Pro No.

all Companies or persons who shall be Carriers for any portion
and to include the Conditions endorsed hereon.

Address 294 *Ludgate Hill, E.C.4.*

must also clearly state whether carriage is payable by Sender or Consignee.

WEIGHT. T. c. q. lb.	Who pays the Carriage.	*(For use of Railway Company's Staff only.)* Rate per ton. s. d.	Collection. £ s. d.	Paid on. £ s. d.	Paid. £ s. d.	To pay. £ s. d.
	Consignee.					

Name of Checker ____________ *Name of Loader* ____________

enters the details of the consignment. This is the procedure when forwarding by goods train. In the case of parcels sent by passenger trains consignment notes are not necessary. The particulars of the parcels are entered in a parcels book, and the collecting carman signs for the number of parcels received.

The Owner's Risk Scale is, in most cases, at reduced rates. Persons sending goods at Owner's Risk must sign an Owner's Risk Consignment Note, or a General Owner's Risk Agreement.

Receiving Goods from Carrier. The same remarks apply to signing for goods received from a carrier as have been given on p. 167. Should claims arise, they must be preferred with the utmost promptitude, and all papers and memoranda substantiating a claim should be preserved till it is settled.

Payment of Charges. As already pointed out, a consignor must, if required, prepay the charges, but, as a general rule, the companies run accounts with consignors. A carrier has a *particular lien* on the goods he carries, and may withhold delivery till his charges are paid. The lien is not a *general* lien, *i.e.* a carrier has no right to withhold delivery of particular goods because his charges on a previous consignment have not been paid, or to enforce payment of a general account. But he may by agreement have a general lien as well as particular lien, and generally where the companies run accounts, they stipulate that they shall have a general lien by way of security. Where the consignor acts as agent for the consignees who are to pay the charges, and a company delivers the goods without collecting the charges their only remedy is to sue the consignees. But if the consignor is not acting as agent for the consignee, the carrier must sue the consignor. Frequently, however, the consignor and consignee are the same person.

Delivery by Carrier. A carrier, unless relieved by his contract, must deliver the goods without unreasonable delay. Where delivery is unreasonably delayed, and attributable to the carrier's negligence, he is responsible. But he is only liable for such damages as are the natural consequences of the delay, and not for extraordinary damages arising from circumstances of which he had no knowledge. Suppose, *e.g.*, a portion of a machine is sent to the makers for repair, and the machine cannot be worked till the return of the repaired piece. Unreasonable delay, for which the carrier is responsible, occurs. The owner of the machine may sue for damages, but not in respect of the time during which the machine stood idle, except he expressly informed the carrier that till the piece was returned the machine could not be worked. Delivery at a consignee's place of business is sufficient, and a carrier need not inquire whether the person receiving the goods is authorised to receive them, but he would not be justified in handing the goods to a person who could not obviously be authorised to receive them.

Carriers are not bound to deliver goods if the consignee's address is without the usual radius of delivery, but they must advise the consignees of the arrival of the goods, so that they may fetch them away. If, however, the goods are labelled "to be called for," it is presumed that the consignee is expecting the goods, and will send for them within a reasonable time.

A carrier's responsibility begins when he accepts goods for transit. it ends (1) when he delivers the goods, (2) twenty-four hours after the written notice advising the consignees of the arrival of the goods is due for delivery in the ordinary course of post, or (3) twenty-four hours after notice has been handed to them personally, or delivered at their address. In the case of goods "to be called for," a carrier's responsibility ends twenty-four hours after arrival of the goods. When transit is at an end the carrier becomes a warehouseman of the goods. In that capacity he must take good care of the goods, and may make a reasonable charge for doing so, but he is not responsible for injury or loss, unless it arise through his own negligence. In addition to charging for warehousing goods, a carrier is entitled to charge for the detention of trucks, covering cloths, sacks, and other conveniences beyond an agreed time. This charge for detention is termed *demurrage.*

Railway Clearing House. It has been explained how a railway rate is made up, both where the goods are carried by one company and when two or more companies co-operate in the carriage of goods. Railway companies also co-operate in the carriage of passengers. This co-operation necessitates splitting the charges and allotting them equitably between the companies co-operating. Very little reflection will bring home to the student the enormous mass of detail involved in this process. This work is greatly facilitated by the Railway Clearing House, an institution founded and maintained by the railway companies, much as the Bankers' Clearing House was founded and is maintained by the great banking houses. The claims of the different railways are adjusted and balanced one against the other; differences being paid or received, as the case may be.

Checking Railway Accounts. No railway account should be paid till it has been thoroughly checked. Careful watch should be kept that all rebates due in respect of collection and delivery, and terminal charges have been allowed. If not, claims must be preferred.

TEST PAPER X

1. Explain five modes of delivering parcels.
2. What is a Parcel Book? Rule a specimen page and make three entries therein.
3. Name the different kinds of carriers. When is it more advantageous to forward by P.P. than by carriers?

4. How is a railway rate made up ? Is there any control over railway rates ?

5. Give the different classes into which goods are divided for the purpose of transport by railway.

6. What do you understand by the " Scale for Smalls " ?

7. Define " a common carrier," and mention the particular circumstance which exempt him from liability in respect of loss or damage to goods carried by him.

8. What do you understand by Company's Risk rate and Owner's Risk rate ? Are both rates applicable to all goods ?

9. Is it necessary to insure goods forwarded by rail ? If so, when ?

10. Explain what is meant by a " general lien " and a " particular lien " as applied to common carriers.

11. State when a common carrier's responsibility begins and ends. What is his position in regard to goods " to be called for " ?

12. What precautions should be adopted by a person receiving goods from a carrier ?

13. What are the functions of the Railway Clearing House ? Explain " demurrage."

14. Explain the method of using a Delivery Book with printed Receive and Received Notes. What other ways of entering outward parcels are in use.

15. State the conditions under which the contract of limitation of a Railway or Canal Company's liability is not valid.

16. Do railway companies carry goods other than by goods train ? If so, are the rates generally higher or lower ? What is the best way to send perishable goods ?

17. What is the nature of a Railway Consignment Note ? Name five different kinds. When is a consignment note not necessary?

18. What is the name given to (1) a forwarder of goods ; (2) the person to whom goods are forwarded ?

19. What is the meaning of the following abbreviations : O.R. ; C.R. ; G.W.R. ; L.M.S. ; Carr. pd. ; Deld. free ; Rly. ; Dely. ; O.H.M.S. ; C.H. ?

20. State fully the position which railway companies hold as carriers. (*N.U.T. Adv.*)

21. Why does it cost more to convey a ton of Worsted Coatings from Bradford to London than a ton of raw wool ? (*West Riding C.C.*)

22. On what basis does a railway company charge for conveying goods from one town to another ? (*West Riding C.C.*)

23. Who undertake to forward or carry parcels besides the G.P.O. ? (*West Riding C.C.*)

24. Write out a specimen label giving the particulars necessary for forwarding goods by rail, the consignee paying the carriage.

25. A box of goods is received from the railway company in a palpably damaged condition and compensation is claimed. Trace the steps to be taken until the matter is settled. (*West Riding C.C.*)

26. What do you understand by an exceptional railway rate ? Mention two kinds of goods to which such rates apply.

27. What is meant by the Standard Terms and Conditions of Carriage? How far are these obligatory upon railway companies?

CHAPTER XI

EXPORTING

The export of merchandise is undertaken by three different types of Commercial Houses.

(1) By a Manufacturer or Wholesale Merchant who exports his own manufactures or wares to buyers or branch houses abroad.
(2) By Commission Agents who act as buyers for merchants abroad, assembling the different items of the indent or order received from their principals, and shipping them under their own invoice.
(3) By Packing and Forwarding Agents, whose duty is generally confined to receiving, packing and forwarding the goods sent to them by different traders in this country—the orders being received by those traders direct from the principal for whom the packing and forwarding agent acts.

In addition to these three classes there are the Branch Houses of Foreign and Colonial traders acting under the immediate control of the parent house.

In the early days of Colonial history (and the same remarks apply to the Foreign Trade years ago) Class No. 2 was a very important body of intermediaries (often combining the functions of a banker) carrying on a lucrative trade, the profits of which were derived by withholding a portion of the discount received from the manufacturers from whom they bought, and charging their principals, in addition to all out-of-pocket expenses, 2½, 5, 7½ per cent. or 10 per cent. (5 per cent. being the most usual charge) on the total value of the goods bought for them. But the wide dissemination of knowledge resulting from the extension and cheapening of the post and the telegraph, and the increased competition for business which has occasioned so great an addition to the number of travellers and canvassers that even the smallest manufacturers are now served by them, has somewhat destroyed the reliance formerly placed upon merchants of this class. Colonial and foreign buyers are now as wise as the commission agents themselves, and, if of any importance, have direct accounts with the actual manufacturers, and secure the full benefit of any reduction in price that can be obtained. Hence the general tendency is for export business to be conducted by the manufacturers or wholesale merchants themselves, or, through Class 3 (the export packers and forwarders), leaving Class 2 (the Commission Agents) to act as buyers and exporters for the small foreign and colonial traders. It is clear that a manufacturer or Wholesale Merchant shipping goods direct will not only give his customers the best possible terms, but also charge them no more than the actual out-of-pocket expenses entailed in shipping the goods. But the buyer-on-commission, having no interest in the profits of manufacture of the goods and employing his own capital in the purchase of them, must charge a sufficiently large commission to cover interest on capital, working expenses, profits, and possible loss through bad debts. This commission is necessarily larger than is charged by the Packer and Forwarder, whose capital is not employed in buying the goods and who, when combining the business of shipping agent as he frequently does, is willing to transact the business on an even smaller commission than usual, his profit being made up by the percentage he earns upon the freight. It is easy, therefore, to see that in the natural course of events the business of the commission merchant is likely to be the first to suffer, and that sometimes when he is employed, a large part of the business should consist in the handling of enclosures on the value of which he receives merely a nominal commission—his full function of buying agent being restricted to "sundries," from the direct handling of which a manufacturer or wholesale merchant is not sorry to be exempt.

The student must bear in mind that the foregoing remarks are general in character, and that in the case of the great centralised markets for Metals, Produce, etc., where prices fluctuate daily and sometimes hourly, the skilled knowledge and power of prompt action possessed by the commission agent are indispensable.

In the case of very large Colonial or Foreign Importing Houses it probably pays best to have a branch office in this country, controlled by a partner of the firm, or by some representative resident here, whose character and business acumen have been tested and approved by long experience at headquarters.

We will trace the procedure followed in the export of goods in each of the three cases mentioned above.

I. GOODS EXPORTED BY MANUFACTURER OR WHOLESALE MERCHANT

1. In response to a Price List or special offer disseminated abroad or through the agency of traveller or convasser—

Messrs. James Finch and Sons, Boot Manufacturers, London, receive an order from Messrs. Adnitt and Sharpe, of Sydney, for anassortment of boots and shoes.

2. Full particulars are given upon the indent or order relative to price, shipping instructions, insurance, etc., as will be seen from a perusal of the indent on p. 182.

3. The goods are got ready for shipment, boxed and stacked in convenient sized square heaps (from the shipping point of view), on the floor of the warehouse. The packing-case maker is instructed to send a man to measure up the cases. This he does by means of a flat graduated 4 ft. wand, noting in his pocket-book the measurements required for each case. The following day 5 cases lined with oil baize are delivered to the warehouse, and the warehousemen proceed to pack the cases. Not every one can properly pack a case. It requires skill, for while the contents must be tightly packed together to prevent movement, and adequately protected by shavings or other soft material, they must not be so tightly wedged together as to be in danger of being crushed. Besides, it requires a trained eye to see at a glance how a number of different sized packages are to be so placed in the case that the mass shall exactly fill it. As the cases are packed the warehouseman makes a note of the contents of each, and the packing-case maker's man proceeds to nail on the lids and hoop the cases. Then comes the marking. This is done by stencils cut in tin. A set of stencils comprises the letters of the alphabet, the numerals 0 to 9, set figures (such as hollow squares, diamonds, circles or more complicated figures), and the names and addresses of firms to whom Finch and Sons regularly or frequently ship goods Adnitt and Sharpe gave no instructions for particular markings, so the cases will be addressed to them and numbered according to Finch and Sons' own shipping book. The stencil is laid upon the top of the case and rubbed over with a hard,

118–120 GEORGE STREET,
SYDNEY,
August 11, 1935.

CODE—A.B.C
CABLES—ADSHAR, SYDNEY

GENTLEMEN,

Please supply the undermentioned goods.

ADNITT & SHARPE
J. C. Adnitt.

Messrs. James Finch & Sons, London.

	From List No. 1298, *Nov.* 19.
36 prs.	G 35 Split Kip Derby, plain fronts, whole back, wrought hobs @ 4/3 pr.
48 prs.	G 42 Split Kip Navvy Tights, double tongues, heavy nailed @ 5/11 pr.
36 prs.	G 73 Men's Box Calf Open Tab Bal., st. cap, lin. ld., welted, " Imprimis " @ 9/6.
24 prs.	G 230 Glacé Kid Bals., ¾ gol., pat. pk. cap, M.S. @ 8/11.
36 prs.	G 237 ,, ,, ,, self vamps, pat. st. cap, Louis heel @ 13/9.
36 prs.	G 307 Glacé Kid Oxford, pat. st. cap, French heel @ 7/11.
36 prs.	G 303 ,, ,, Lorne, ,, ,, ,, Louis ,, @ 6/11.
2 doz.	G 341 Patent A. C. Court Ladies Evg. Shoes @ 12/9 per doz. pr.
3 doz.	G 396 Grain Gusset Slippers, leather T.P.H., M.S. @ 28/6 per doz. pr.
72 prs.	G 370 Glacé Kid, dual bar, jet beaded vamp and bars @ 6/11 pr.
	Instructions.
	Ship per first Mail Steamer.
	Insure for 15 % above invoice value.
	Terms as usual—10 % Qtly. %.
	Draw at 60 d/s through Commercial Banking Co. of Sydney.

Note. Adnitt & Sharpe are regular correspondents of Finch & Sons. There is therefore no question of drawing against the B/L, but the goods will be charged to a/c, and settled by bill in the ordinary way.

round, short-haired brush, the face of which has previously been lightly dipped in ink. Thus we now have five cases numbered 610 to 614, addressed to Messrs. Adnitt & Sharpe, 118–120 George Street, Sydney, N.S.W.

TELEGRAMS :
"TANTAN, LONDON"
NO. 5916

TELEPHONE : 19986 HOP

109–116 NOBBS LANE
BERMONDSEY, S.E.
October 29, 1935.

To the Superintendent of the *Tilbury Docks*

PLEASE TO RECEIVE AND SHIP ON BOARD
THE S.S. *Orotava*
FOR *Sydney*
the undermentioned packages, and charge
to our account.

JAMES FINCH & SONS

Messrs. Adnitt & Sharpe
118–120 George Street, Sydney
610/614
} *5 Cases addressed*

4. The head warehouseman hands in his note of the contents of the cases to the export invoice department, and the particulars are then transferred to the shipping book. From this shipping book a shipping note (*see* above) is made out in duplicate, addressed to the superintendent of the docks where the carrying vessel is loading. In the invoice department lists of sailings of the different s.s. lines will be found upon files suspended from the walls. We will assume that the s.s. selected is the Orient Line S.S. Company's s.s. *Orotava*, loading in the Tilbury Docks. The cases are got aboard the van and duly delivered there, and the carman brings back as a receipt for the cases the duplicate shipping note signed by the receiving clerk at the docks. A set of four Orient Royal Mail Bills of Lading (three stamped with a 6*d*. stamp and one plain) is then purchased from the stationer, and filled in by the shipping department clerks. The Bs/L may be made out to the consignees, Messrs. Adnitt and Sharpe—in this case they would be because the consignees are known to be perfectly trustworthy—or the goods expressed as deliverable "unto order." If the Bs/L be "unto order," they must be endorsed by the con-

signors—Finch and Son—either " in blank " or to the order of another. (A set of bills costs 1*s.* 10*d.*, but it is customary to charge the importer 2*s.* 6*d.*) When filled in they are left with the shipping company, to be checked from particulars obtained from the company's offices at the docks. If all is in order, they are signed by a clerk on the captain's behalf. (*See* end of section " Affreightment.")

The captain keeps one unstamped copy and returns the three other stamped copies to the shipping company, who make out a bill for the freight, called a *freight note,* and forward it to the shipper. The shipping company on receipt of the amount expressed as due in the freight note, return the three Bs/L to the shipper with the receipted freight note. (*See* p. 207.)

5. While the goods are in process of loading the invoice clerks are engaged in invoicing the goods. The invoice is made out in triplicate, exactly as an inland invoice would be, but with the addition of the marks and numbers of the cases, the name of the vessel carrying the goods, and at the end of the invoice the following charges for (*a*) cases ; (*b*) cartage, freight and primage, Bill of Lading and dock charges ; (*c*) insurance ; all of which are added to the charges for the goods.

The original and duplicate invoices, one of the bills of lading, the insurance policy and, in this case, a certificate of origin, are all fastened together and posted with a covering letter to reach Adnitt and Sharpe at the same time as, or prior to, the arrival of the goods. By the following mail the triplicate invoice and the remaining Bill of Lading, termed the Secunda Via, are posted to Adnitt and Sharpe so that in the event of the original and duplicate miscarrying they may fall back upon the triplicate.

6. Within six days of the clearance of the exporting vessel, the exporter must lodge at the Custom House a specification (*see* p. 208) in which he declares the number and description of the packages (with their marks and numbers), the quantity, description and F.O.B. value of the goods and their final destination. The goods must be described in accordance with the official Import and Export List, which enables the trade of the country to be classified for the purpose of the statistical tables published from time to time, of which a specimen is given on p. 236 As the goods we are now dealing with are British they will be entered on a white form (No. 29, Sale) ; foreign or colonial merchandise is entered on a pink form (No. 30, Sale), and the place whence the goods were imported must be stated. (*See also under* Manifest, etc., p. 219.)

TELEGRAMS : " TANTAN, LONDON ".
CODE : A B C
TELEPHONE : 19986 HOP

109–116, NOBBS LANE,
BERMONDSEY, LONDON, S.E.
October 29, 1935.

Messrs. Adnitt & Sharpe,
118–120 *George St., Sydney, N.S.W.*

Bought of JAMES FINCH & SONS

Boot & Shoe Manufacturers & Exporters.

Per s.s. " *Orotava.*"

Marks and Numbers.	Quantities.	Description.		£	s.	d	£	s.	d
1 Case Addressed. 610	36 prs.	G. 35 Split Kip Derbys, pl. fronts, whole back, wrought hobs	4/3	7	13	0			
	48 prs.	G. 42 Split Kip Navvy Tights, double tongues, heavy nailed	5/11	14	4	0			
							21	17	0
611	36 prs.	G. 73 Men's Box Calf Open Tab. Bal. st. cap, lin. ld., welted " Imprimis ". .	9/6	17	2	0			
	2 doz. prs.	G. 341 Patent A. C. Court . . .	12/9	1	5	6			
	3 doz. prs.	G. 396 Grain Gusset slippers, leather T.P.H., M.S.	28/6	4	5	6			
							22	13	0
612	24 prs.	G. 230 Glacé Kid Bals., 3/4 Gol., pat. pk. cap., M.S.	8/11	10	14	0			
	36 prs.	G. 237 Glacé Kid Bals., self vamps pat. st. cap, Louis heel	13/9	24	15	0			
							35	9	0
613	36 prs.	G. 307 Glacé Kid Oxford, pat. st. cap, French heel	7/11	14	5	0			
	36 prs.	G. 303 Glacé Kid Lorne, pat. st. cap, Louis heel	6/11	12	9	0			
							26	14	0
614	72 prs.	G. 370 Glacé Kid, dual Bar, jet beaded vamp and bars	6/11				24	18	0
							131	11	0
		10 %					13	3	1
							118	7	11
		5 Cases Wood and Oil @	6/4	1	11	8			
		Freight and Primage 10/2/7, B/L 2/6 Cartage 10/9, Dock Charges 4/3 . .		11	0	1			
		Insurance £136 @ 8/- %			10	11	13	2	8
		E. & O. E.				£	131	10	7

We will now explain in fuller detail the character and purpose of some of the documents already mentioned, and also exemplify some other matters.

Certificate of Origin. In countries where a protective tariff is in force, *i.e.* where duties are levied upon goods imported, and where, as in the case of New Zealand, Australia, S. Africa and Canada, discrimination is made in favour of goods of British manufacture, a lower import duty being charged upon goods of British manufacture than upon foreign-made goods, it is necessary, in order that the importer may obtain the benefit of the lower duty, to make out and accompany the goods by a declaration, termed a Certificate of Origin, signed by the exporter, or his agent, in which the exporter having full knowledge of the manufacturer of the goods exported testifies to their British make. These Certificates of Origin are obtainable from the Agents General of the Colonies or from Parliamentary law stationers, but British manufacturers who transact a large export business commonly have the official wording of these certificates printed on the backs of their invoices. The blank spaces are then filled in, and the declaration is signed by a member of the firm, manager or other responsible official.

Frequently, it is necessary that the declaration that the goods are of British origin shall be a statutory declaration made before a magistrate, or a commissioner for oaths, or a consular representative of the country to which the goods are being sent. Where such is the case the declaration would conclude with the words "I make this statutory declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1835." It is then signed by the person making the declaration, and the magistrate or other official signs a statement at the foot that the declaration was duly made before him. We append a specimen of these certificates. (*See* p. 209.) Certificates of Origin are sometimes required for countries where no discrimination is made in favour of British goods. In respect of certain goods cleared from bond for exportation, Certificates of Origin are signed or attested by the Customs Authorities.

Insurance Policy. We have assumed that a separate policy of insurance was taken out for this shipment. This may have been effected through Lloyd's or a company. But the student will remember that a large shipper of goods would be almost certain to insure under a floating policy, and that in that case no separate policy would be received—the value of the shipment being simply declared by the shipper to the insurance broker or company, and the amount written off the outstanding balance on the floating policy. (*See* p. 187.)

The charge for the insurance would be made by the shipper to the importer, no matter how the insurance were effected, but in the event of the insurance being made under a floating policy, and loss of, or damage to the goods, occurring, the

TELEGRAMS: "TANLAN LONDON"
CODE: A.B.C.
TELEPHONE: 19986 HOP

109-116, NOBBS LANE,
BERMONDSEY, LONDON, S.E.
October 29, 1935.

To *Messrs. T. Y. Farwell & Co.*
Insurance Brokers,
62 Gracechurch Street, London, E.C.

DEAR SIRS,—We have shipped to-day the following goods, values, &c., as under, which please declare off policy. Kindly confirm, and oblige.—Yours faithfully,

JAMES FINCH & SONS.
p. *C. J. B.*

Marks.	Nos.	Contents.	S.S.	Packing.	Value.
Messrs. Adnitt & Sharpe, 118–120, George Street, Sydney, N.S.W.	610/614	5 cases boots and shoes	"Orotava" London to Sydney	Wood and oil	£136

importer would look to the shipper to safeguard his interests, and not proceed independently by virtue of his policy.

Dock Charges. Large shippers do not separately pay the charges involved in loading their shipments, as the charges are usually of very small amount, but run accounts with the dock companies, starting the account by depositing a sum proportional to the extent of their shipping business, usually £20 or £30. Shippers are provided by the dock companies with pass-books similar to those issued by banks to depositors, and the dock charges are debited to them in these pass-books, each debit being set forth in detail by a dock invoice sent to the shipper at the time of loading the goods. (*See* p. 210.) When the pass-book shows that the deposit is nearing depletion a fresh deposit is made by the shipper upon application by the dock companies.

Packing Cases. An ordinary wooden case, though strong enough to stand a protracted yet fair voyage, is not waterproof. Hence if water gets into the vessel's hold, goods packed in wooden cases, lined only with a few sheets of brown paper, would run considerable risk of damage. There are four sorts of packing cases known to shippers: (1) wooden cases; (2) wooden cases lined with patent material; (3) wooden cases lined with oil baize; (4) wooden cases lined with zinc. The patent and oil baize are waterproof materials (the baize more so than the patent), and as they completely encase the goods, the risk of damage by sea-water is considerably lessened by their use. Valuable goods are usually packed in wood and zinc, an ordinary wooden case containing a zinc lining, like a very thin cistern. The goods are packed inside the zinc lining and a sheet of zinc is soldered over the top, the wooden lid being afterwards nailed on.

A plain wooden	case	costs	about	3*d.*	per	ft.	super.
A wood and patent	„	„	„	3½*d.*	„	„	„
A wood and oil baize	„	„	„	5*d.*	„	„	„
A wood and zinc	„	„	„	6½*d.*	„	„	„

The extra cost of one kind of case over another is compensated for by a lower rate of insurance and increased safety of the goods. As we have pointed out, marine insurance is a contract of indemnity, and Colonial and Foreign merchants who order goods do so in the hope of realising a profit by their sale. Indemnity for loss or damage does not always fully cover loss of profits.

Question. What is the cost of a wood and tin case 4 ft. × 4 ft. 6 in. × 3 ft. at 6½*d.* per foot.

4 × 4½ × 3 = 87 super feet at 6½d. = £2/7/1½d. *Ans.*

Freight. Steamship companies, like railway companies, are not now so independent as formerly. The growth of steamship lines (British and Foreign) has brought down freight rates with a run, so much so, indeed, that the tendency is now for the steamship lines to form rings, the companies in the ring or combine agreeing upon minimum rates for freight, and offering to shippers who undertake to ship only by the lines forming the ring rebates of 5 per cent. or 10 per cent. from the amount of the freight paid to such company during the year. The rebate is sometimes made in half-yearly instalments, the companies preferring to keep something in hand as a hold upon the shipper. Where a merchant has a large shipment he can always obtain a special quotation for freight, unless the companies are so full up that they can afford to refuse a quotation. And if he has a very large shipment he can of course specially charter a vessel, and complete the cargo with other shipper's goods in the event of his own shipment not being a full cargo.

Freight is calculated at so much per ton measurement. A ton is taken as 40 cubit feet, except when the goods are weighty goods, *e.g.* metals, when to calculate the freight on the foot-ton basis would be disadvantageous to the shipowner. Freight on such goods is calculated upon actual weight. A percentage of 10 per cent. is added to the freight proper, to cover the cost of supervision during the operation of loading. This percentage is termed *Primage,* and though at one time it was especially charged for, it is now merged in the freight.

Freight Rates are variable and no useful scale can be furnished. Freight Rates per tramp steamers are between 10/- and 20/- per ton cheaper than by mail steamer. By sailers they are about half what they are by steamers.

Q. What is the freight on a shipment of six cases general merchandise each measuring 4′ × 4′ × 3′ 6″ London to Bombay × 40/- per ton.

(4′ × 4′ × 3′ 6″) × 6 = 336 cub. ft.
40/- per ton = 1/- per ft.
∴ 336 ft. = . . . 16 16 0
Add 10 per cent. Primage . 1 13 7
Ans. £18 9 7

Freight is usually payable in advance, but sometimes not until the goods arrive at the port of destination (*see* Marine Insurance).

Loading at a distant Port. Sometimes the vessel selected for carrying the goods loads at a port remote from the domicile of the shipper, *e.g.* a London Merchant might ship goods by a Cunard-White Star, Ltd., steamer sailing from Liverpool, or from Southampton. In these instances the goods must be forwarded by rail and in addition to bearing the consignee's Marks and Nos. the cases must be addressed to the shipping company or the company's shipping agent at the port of loading, and the shipping Company or agent advised of their despatch. The shipping advice note must contain full particulars as to contents, and values, etc., in order to enable the Company or agent to clear the goods. (*See* p. 211.)

Loading by Lighter. In the case of big shipments it may be cheaper to load by water than to forward by road or rail; or, it may be desired, at the last moment, when the vessel is in mid-stream, to get a particularly urgent consignment aboard the outgoing vessel. In such cases the shipper obtains as receipt for the goods—a document termed a *mate's receipt.* If the consignment is in order the receipt is free from any exceptions, and is termed a *clean* receipt, but if the number of cases loaded does not agree with the number stated on the wharfinger's delivery sheet, or if any of the cases or packages are broken, note of the fact or facts is made upon the receipt, and it is then termed a *foul* receipt. These terms as applied to receipts are of course applicable to all receipts for goods. The mate's receipt is afterwards exchanged at the offices of the S.S. Co. for the Bill of Lading. (*See* p. 207.)

Consular Invoices. Suppose that Finch and Sons had been shipping goods to a customer in the United States, say in New York, instead of to a customer in New South Wales, as in the case already illustrated. The New York importer naturally desires to obtain the goods with as little delay and trouble as possible. Hence he will instruct Finch and Sons to make out and send to him, in addition to the ordinary invoice of commerce, a form of invoice termed a Consular Invoice. In order to facilitate the levying of tariff on imports, the U.S. and other countries have constituted certain ports in their dominions Ports of Entry. At these ports of entry staffs of assessors and other officials are stationed whose duty it is to examine minutely all merchandise landed, and assess rigorously the duty payable. Finch and Sons will accordingly send to the American Consulate in London (other large shipping ports also have resident U.S. Consuls), and obtain a form of invoice, on one side of which is printed a declaration—the other side being ruled for particulars of the shipment. On the invoice side Finch and Sons give exact particulars of the contents of each case, and separately extend their values in the money columns. The values are totalled, and to this total the charges for cases, freight, etc., Insurance, and the cost of the Consular Invoice are added. Finch and Sons then subscribe their name at the foot of the invoice, and the blanks in the form of Declaration having been filled in, a member of the firm proceeds to the office of the U.S. Consul and swears to the accuracy of the invoice before a Commissioner for Oaths. The Consul then affixes the Consular seal to the document The invoice is made out in triplicate—each copy being sworn. The Consul keeps two of the copies, forwarding them to the officials at the particular Port of Entry at which the goods are to be landed, the remaining copy being retained by Finch and Sons. This copy is then attached to the ordinary commercial invoice, and forwarded with all the other relevant documents to the New York importer. The U.S. custom authorities accept this sworn consular invoice as a true statement of the contents and value of the shipment, and also of the origin of the goods, and assess the duty upon that instead of opening and checking the contents of each case. They may occasionally test a particular case, but the utility of such a document in saving time and trouble to the importer is apparent. Consular invoices are also necessary in the case of other countries, *e.g.* Argentine Republic.

A Consul is a highly important official accredited to a foreign country, whose duty is to safeguard the commercial interests of the country he represents. He is a commercial attaché, who studies the economic conditions of the country to which he is accredited, reporting the results of his studies to the authorities at home, pointing out to them any new openings for trade that may arise, or the directions in which existing trade connections may be strengthened, or suggesting modifications in the commercial practice of his country the better to meet foreign competition. Being also in close touch with the Embassy of his country he has numberless opportunities of assisting his countrymen in perplexity or trouble, and of upholding the honour of his country and of strengthening the respect and esteem in which it is held by those amongst whom he is stationed. All commercially important countries have Consuls in the leading cities of the world.

Export Prices and Shipping Charges, etc. We assumed in the case of Finch's shipment to Adnitt and Sharpe, that the prices quoted for the goods, were "*loco*" or *spot* or *ex-warehouse* prices, that is, prices for the goods as they stood at Finch's warehouse. We accordingly added to the invoice all the out-of-pocket expenses incidental to shipping the goods. But loco, spot, or ex-warehouse prices are not the only prices quoted by merchants. They frequently quote F.O.B., C. & F., C.I.F., Franco or Free, and F.A.S.

F.O.B. Free on Board, that is to say the seller agrees to defray all expenses incidental to getting the goods into the ship's hold. His price for the goods accordingly includes the cost of packing, cartage or carriage to the docks, and dock charges.

C. & F. This abbreviation stands for cost and freight, that is to say a C. & F. price includes, in addition to the cost of the goods, all charges to the port of destination, with the exception of Insurance.

C.I.F. stands for Cost, Insurance and Freight, and is therefore the C. & F. price, plus the cost of Insurance. In commercial circles such a price is referred to as a cif (pronounced *siff*) price.

A *Franco* or *Free* price is a price which includes free delivery to the buyer's warehouse: Hence, in the case of countries levying an import duty on the goods, the price will include the duty, as well as the cost of conveyance from the ship's side to the consignee's address.

F.A.S. These letters stand for the word "free alongside ship." When goods are loaded from a lighter a charge is made for slinging the goods from the lighter to the vessel's deck. Hence a F.A.S. price includes cost of goods, lighterage to the ship's side, but not this cost of slinging.

It is obvious that when quoting any other than a loco, spot or ex-warehouse price, the additional costs involved must be added to the loco price for the goods. Assume that Finch had been asked to quote a C.I.F. price for 12 dozen pairs "Queen" Girls' Tan Boots, the loco price of which was 60/- per doz. net, then the C.I.F. price would be:

Loco. Price + (cases + cartage + dock charges + B/L + Freight and Primage + Insurance).

If we estimate the cost of the items within the brackets to be £2 5*s*. then it would be necessary to add to the loco price per doz. £2¼ ÷ 12 or 3/9, and quote the C.I.F. price at 63/9 per doz. The adjustment of the price is easy in a case of this kind where the goods consist of a single item, but where the goods quoted loco consist of a number of different lines of varying quantities and prices it is better to express the addition to be made as a percentage of the total value of the goods, and add that percentage to each separate price. Though freight rates vary they are fairly stable for the different voyages, and manufacturers know, within narrow limits, from actual working, the percentage required to be added to cover the cost involved in the transport of their particular goods. Where this information is not available the extra costs to be added to the loco price in respect of F.O.B., C.I.F., and Franco quotations are calculated according to the following expositions.

Question. Make out a Franco Invoice for the following goods sold by Marcus and Bellamy, Bradford, to Signor Perrier, Leghorn: 8 Cases, each 45 pcs., 34 ins. White Shirtings, Patt, No. 326, at 6*s*. 6*d*. per piece. Packing 6*s*. per case. Carriage to London and Freight (*through* rate) at 22*s*. per steamer ton and 10 per cent. primage. Each case measures 3 ft. 2 ins. × 2 ft. 4 ins. × 1 ft. 1 in. Marine Insurance F.P.A. 2*s*. 6*d*. per cent. (for 10 per cent. over invoice value) and stamp B/L and charges 4*s*. 9*d*. Import Duty, Lire 350. Exchange 92. Shipped from London per s.s. *Athenian* (West Riding C.C. Adv.).

Working.—It may be assumed that a trader who asks for a *Franco* invoice has very little acquaintance with foreign weights, measures, and currency, so we will state the widths of the pieces in cm. as well as stating the price in Lire.

1″ = 2·54 cm. ∴ 34′ = 86·36 cm.

45 pcs. at 6*s*. 6*d*. = £14 12*s*. 6*d*. ∴ 8 C/S each of 45 pcs. =			£117 0 0

The extra charges are as follows :—

Packing at 6*s*. per case . . .		2 8 0	
Each case measures 3′ 2″ × 2′ 4″ × 1′ 1″ = 8 cub. ft. ∴ 8 C/S = 64 cub. ft., which at 40 cub. per ton and 22*s*. makes the freight . .	1 15 2		
Add 10 per cent. .	0 3 6		
		1 18 8	
Insurance, B/L and Charges		0 4 9	
			4 11 5
			£121 11 5

£121 11*s*. 5*d*. at Lire 92 = £1 =	Lire	11184·50
Add duty . .	,,	350·00
Total Cost of Goods .	Lire	11534·50

Altogether there are 360 pcs. ∴ 1 piece = $\frac{11534 \cdot 5}{360}$ = Lire 32·04, say Lire 32.

Thus the *Franco* invoice would appear as follows :

Invoice for 8 C/S White Sheetings sold to Signor Perrier, Leghorn, by Marcus and Bellamy, Bradford.
Per s.s. *Athenian* from London, 10/10/1935.

		Lire.	
P. *Leghorn* *1/8*	*8 c/s each containing 45 pcs. 86·36 cm. White Sheetings, Patt. No. 326.* *@ Lire 32 per pc.* *Franco, Leghorn.*	*11520*	—

Question. Show the price per yard for the following shipment: (*a*) C.I.F. Calcutta; (*b*) F.O.B. Birkenhead. Batley, 20th Dec., 1923. Shipped by Rowlands and Co. to P. M. Angula and Co., Calcutta.

P. M. A. & Co.
20/24

Calcutta. 5 Cases, each containing 24 pieces, 48″ Coloured Vicunas, 48 yds. at 7¾*d.* per yd. Assortments of Black, Brown, Navy, Grey, Drab in each case. Deduct 1¾ per cent. discount.

4 × 2½ × 4 4 cwts. 0 qr. 0 lb. per case.

Packing 12*s.* 6*d.* each case. M/U 9*d.* per piece. Fire Insurance ⅛ per cent. on £200. Carriage to Birkenhead, 15*s.* per ton wt. Dues at 6*d.* per case. Freight 35*s.* per ton measurement and 10 per cent. primage. Marine Insurance on £220 at 6*s.* 8*d.* F.P.A., and stamp. (Lanc. and Ches. Union Senr.)

Working.— 48 yds. at 7¾*d.* per yd. = 31*s.* per pc.

∴ 24 pcs. = £37 4*s.* × 5 C/S =	£186	0	0
Less 1¾ per cent.	3	5	1
Net	£182	14	11

Charges are as follows:

Packing at 12*s.* 6*d.* per case	3	2	6			
Making up, 9*d.* per pc. .	4	10	0			
Fire Insce., ⅛ per cent. £200	0	5	0			
Carriage, Birkenhead: 20 cwts. at 15*s.* per ton . .	0	15	0			
Dues, 6*d.* per case . .	0	2	6			
				8	15	0
Freight—5 C/S 4 × 2½ × 4 = 200 cub. ft. at 35*s.* .	8	15	0			
10 per cent. on freight .	0	17	9			
Marine Insce. £220 @ 6*s.* 8*d.* per cent. + stamp 3*d.* + policy 6*d.*	0	15	5			
				10	8	2
				£19	3	2
Deduct 1¾ per cent. allowed above . . .				3	5	1
Total charges to be added to Gross List Price .				£15	18	1

Since each piece is 48 yds., and there are 5 C/S each of 24 pcs., the total yardage is 5760. The charges allowing for the discount to which the buyer is entitled are £15 18*s*. 1*d*., which divided by 5760 gives ·663*d*. per yd. as the amount to be added to the gross list price in order to give the price C.I.F. Calcutta. Thus, the total of the invoice C.I.F. Calcutta would be £201 18*s*. 3*d*. against a loco invoice, with charges on, amounting to £200 12*s*. 7d. The F.O.B. price Birkenhead would include the following charges: Packing, Making-up, Fire Insurance, Carriage to Birkenhead, and Dock Dues. These, as already set out, are £8 15 0

Deduct 1¾ per cent., allowable from List Price . . .	3	5	1
Net Charges	£5	9	11

£5 9*s*. 11*d*. ÷ 5760 = roughly ¼*d*. per yd. Therefore the F.O.B. Birkenhead price per yd. is 8*d*. Thus the invoice in this case would amount to £192 against a loco price with charges on of £191 9*s*. 11*d*.

Consignment Accounts. Suppose that Finch and Sons, instead of a definite order from Adnitt and Sharpe, had received a letter from them suggesting that Finch and Sons should forward a quantity of goods to be sold on their behalf, and that Finch and Sons accepted the suggestion. The goods, called a *consignment*, would be shipped in the way described, but instead of an ordinary invoice, a *pro forma* invoice would be sent, *i.e.* an invoice the purpose of which is to give the consignee some idea of the minimum prices they must obtain for the goods. The consignment would not be debited to the consignee as an ordinary sale would, but would be charged up at cost and entered in a consignment ledger in an account headed, "Consignment to Messrs. Adnitt & Sharpe," and to this account would be debited all out-of-pocket expenses incurred by Finch and Sons—the consignors—in shipping and insuring the goods. When, in due course, Adnitt and Sharpe had sold the goods they would render to Finch and Sons a statement, termed an "Account Sales" (A/S), showing the gross proceeds of sale, and the expenses incurred in effecting the sale, together with the amount of their commission or remuneration for their services. The expenses and commission would be deducted from the gross proceeds of sale, and a draft for the net amount enclosed with the account sales. On receipt of this account sales the consignment account would be credited with Messrs. Adnitt and Sharpe's remittance, and the balance between the two sides of the consignment account, either a profit or a loss, would be transferred to the Profit and Loss account.

I append forms, taken from "Book-keeping and Accounts," by L. C. Cropper, F.C.A., showing the necessary A/S and book entries in the case of a consignment made by Wilson Bros., of London, to Denniston and Co., Durban.

ACCOUNT SALES of 50 Cases of Manchester Goods received from WILSON BROS., London, per s.s. *Doric Castle*.

Mark.		£	s.	d.	£	s.	d.
	Proceeds 20 cases goods at £22 6 0 . .	446	0	0			
	„ 21 „ „ £21 0 0 . .	441	0	0			
	„ 9 „ „ £25 0 0 . .	225	0	0	1112	0	0
	Less—						
WBL 37c	Landing charges	4	0	0			
	Storage, insurance, and sundries . . .	14	5	0			
	Commission, 2½ % on £1112	27	16	0			
	Del Credere, 1 % on £1112	11	2	5	57	3	5
				£	1054	16	7

Note.—Draft £500 accepted against above consignment, Feb. 1, 1935, due May 4, 1935.

E. & O. E.
Durban, April 15, 1935.
Denniston & Co.

WILSON BROS.' LEDGER

Dr. Consignment to Denniston & Co., Durban Cr.

			£	s.	d.				£	s.	d.
1935. Jan. 1	To 50 cases of Manchester goods invoiced at cost, £15 10s. per case . .		775	0	0	1935. May 15	By Denniston & Co., net proceeds of consignment .		1054	16	7
„ 1	„ Cash, Freight on above		24	10	0						
„ 1	„ Cash, Insurance .		5	0	0						
June 30	„ Profit on consignment transferred to Profit and Loss Account . . .		250	6	7						
		£	1054	16	7			£	1054	16	7

Dr. Denniston & Co., Durban Cr.

			£	s.	d.				£	s.	d.
1935. May 15	To Net Proceeds of consignment of 50 cases of Manchester goods. .		1054	16	7	1935. Jan. 1	By Draft at 3 months' sight drawn against proceeds of consignment . .		500	0	0
						May 15	„ Cash (Bank Draft) . . .		554	16	7
		£	1054	16	7			£	1054	16	7

Del Credere. A definition of this is given under the heading "Sale of Goods" (*see* p. 143), but it may be repeated.

An agent for another is not responsible to his principal for bad debts, arising through default of the persons to whom he sells, and a principal being ignorant of the persons to whom the goods are sold cannot guide his agent as to who should and who should not be trusted. He, therefore, sometimes offers his agent an extra commission in consideration of which the agent assumes responsibility for bad debts, and pays his principal the price of all goods sold. This extra commission is termed *Del Credere.*

Drawing against Consignments. It is clear that goods shipped on consignment, or sold on credit, involve a reduction in the working capital of the consignor. If they are his own goods they represent money expended in material and wages; if they have been purchased by the consignor for re-sale the purchase price is a liability that must be met, usually before he obtains the proceeds of sale from his agent. To obviate this withdrawal of capital, and also to ensure payment, a consignor frequently draws upon the consignee on account of the shipment (say for two-thirds, the balance of one-third offering a protective margin to the banker discounting the draft), and attaches the draft to the Bill of Lading or other shipping documents, all of which he hands over to the bank that purchases the draft under discount. Or he may draw for the full amount of his invoice and obtain an advance from a bank, at interest, up to two-thirds of the amount of the draft. The bank then forwards the draft and shipping documents to their agents in the consignee's city, and, if he be substantial, hands over the shipping documents to the consignee on his accepting the draft. In other cases the consignee can only obtain the shipping documents on paying the draft, subject of course, to rebate for prepayment, or the bank may permit the consignee to pay for the goods by instalments, and release them to him piecemeal. A consignee can only obtain possession of the goods by presenting the B/L representing them, and when the documents relating to a shipment will only be given up upon acceptance by the consignee of the consignor's covering draft, the goods are said to be shipped "Documents against Acceptance" (D/A). When the documents will only be given up upon payment of the consignor's covering draft, the goods are said to be shipped "Documents aganst Payment" (D/P), or "Cash against Documents" (C/D). (*See* "Documentary Bills," and also "Affreightment.")

Accounts Current. In the case of merchants having extensive dealings with Colonial and foreign traders it usually happens that considerable balances are outstanding from time to time. If these balances were in the hands of the respective traders they could be utilised for purposes of trade, or put out at interest with the banks. It is customary, therefore, for interest on the daily balances to be credited or debited, and usually at 5 per cent. Daily interest is calculated on the following formula:

Divide 36,500 (*the number of days in the year* × 100) *by the rate per cent., and use the quotient as the denominator of a fraction whose numerator is the number of Pounds multiplied by the number of days.*

For example: What is the interest on £515 10*s*. for 50 days at 5 per cent. p.a.? Answer is $\frac{515\frac{1}{2} \times 50}{36{,}500 \div 5}$ = £3 10*s*. 6*d*.

Sometimes the interest is worked out for each separate item both debit and credit. It is not, however, necessary to do this. See the example on p. 199 of an A/C where the products of the amounts by the days for which they are outstanding are balanced exactly as the cash columns are, and one interest calculation suffices.

II. Goods Exported by Commission Agents

(*a*) Alexander Brown and Co., Commission Agents, London, received from Tanquerays Ltd., general merchants, Christchurch, N.Z., an indent for general merchandise, and by the following mail a duplicate for use should the first miscarry.

(*b*) Tanquerays Ltd., in their covering letter, advise Brown and Co. that they may expect to receive enclosures from two London, one Leicester, and three Glasgow firms, whose names

ACCOUNT CURRENT.

Dr. **WILSON, BROWN & CO., London, in account with MERRILIES BROS. Calcutta.** **Cr.**

Date.	Details.	Folio.				Days.	Product.	Date.	Details.	Folio.				Days.	Product.
1935.			£	*s.*	*d.*			1935.			£	*s.*	*d.*		
April 30	To Balance brought down . .		3000	0	0			May 25	By Cash . .	24	2000	0	0	25	50,000
May 3	,, Goods . .	36	400	10	0	3	1,200	,, 26	,, Returns . .	361	100	9	0	26	2,600
June 30	,, Interest . . $\left(\frac{£105,400}{36,500 \div 5}\right)$ = £14 8*s.* 10*d.*	298	14	8	10		105,400	,, 27	,, Goods . .	79	700	6	0	27	18,900
								June 24	,, Cash . .	32	250	0	0	55	13,750
								,, 30	,, Balance . . £349 15*s.* 0*d.*					61	21,350
								,, 30	,, Balance carried down . .		364	3	10		
			£3414	18	10		106,600				£3414	18	10		106,600
1935. June 30	To Balance brought down . .		364	3	10										

Taken from "Book-keeping and Accounts," by L. C. Cropper, F.C.A.

and addresses they give, and that Messrs. Fife and Woodward, china manufacturers, Stoke-on-Trent, have a shipment preparing which will probably be ready in time to be included with the goods requisitioned in Brown and Co.'s indent.

(*c*) Brown and Co. enter the indent in their journal, and afterwards file it upon Tanqueray's indent file. Most of the items are explicit, *e.g.* one gross Clarke's Pyramid Night Lights at 3*s.* 9*d.* per dozen; one dozen ea. Waterman's Fountain Pens $\frac{0196}{63s.}$ $\frac{0198}{96s.}$, but some of the items leave room for Brown and Co. to exercise their own judgment, *e.g.* one ¼-Plate Camera suitable for out-door work, not to exceed £3 15*s.*

(*d*) The first thing Brown and Co. do is to make out, on their own order forms, orders for the different lines and send them to the manufacturers concerned. These order forms are bound up with counterfoils in book form. A piece of carbon is inserted between the order form and the counterfoil previous to making out the order, so that Brown and Co. have a record of each order sent out. We give below a copy of one of these orders from which the student will see that each order bears full directions as to (1) the marks to be placed on the parcel, (2) the date prior to which the parcel is to reach them, (3) the number of invoices required.

ORDER.

June 10, 1935.

No. 1069.

57 Eastcheap, London.

ALEXR. BROWN & CO.

Commission Agents.

To Messrs. Simpson & Hayward,
16, *Soho Square, London, W.C.*

Please supply the following:

1 " Beaufort " Dinner Service, 96 pieces.

1 only Epergnes ea. $\frac{76^a}{10/9}$ $\frac{83}{15/-}$ $\frac{88}{22/6}$

Terms, usual.

Marks and Nos. T.LD. Address to us as above.

Invoices port marked Christchurch.

Delivery not later than the 16th inst. If unable to despatch by that date, advise us, and await further instructions.

(*e*) In addition to making out and despatching orders for the miscellaneous items of the indent, Brown and Co. send post-cards to the firms advised as having enclosures for Tanquerays Ltd. as follows:

> We are advised by Messrs. Tanquerays Ltd. under date   that you have an enclosure for them. Please see that the enclosure, marked T.LD. Christchurch, reaches us not later than the 16th inst., and that we get *by post* triplicate certified invoices with all discounts deducted. Should you be unable to despatch by the 16th please advise us and give date.
>
> ALEXANDER BROWN & CO.

All the firms have received full instructions from Tanquerays Ltd.; but Brown and Co. in their own interests confirm them. Brown and Co. also write to Fife and Woodward as follows:

> We understand that you have a shipment preparing for Messrs. Tanquerays Ltd. of Christchurch, N.Z. Please advise us when the shipment will be ready, also the number of cases, and we will then send you marks and numbers and full shipping instructions. Please note that certified invoices in triplicate with all discounts deducted are to be sent to us.
>
> ALEXANDER BROWN & CO.

(*f*) The orders sent out by Brown and Co. are duly filled and the goods received by them at their warehouse. Generally the parcels will reach them carriage paid, but if they pay carriage on any particular parcel note of the amount paid will be made upon the parcel. When the shipping date comes round all the parcels are opened and the contents checked off with the invoices, the extensions and additions of which are also checked. The prices in the invoices are then extended in the Journal against the items of the indent to which they refer. If carriage has been paid on any particular parcel the amount is entered at the end of the indent. It may happen that a particular item has not been received—the goods being out of stock, or the description being so faulty that the manufacturer was in doubt what to send, or the particular make has been discontinued. Brown and Co. will record the answers received

TEL. ADDRESS—" UBIQUITOUS, LONDON "
CODES—A.B.C. LIEBERS

57 EASTCHEAP,
LONDON.
October 14, 1935.

Messrs. Tanquerays Ltd., Christchurch, N.Z.

Bought of ALEX. BROWN & CO.
General Commission Agents and Shippers.

	Per s.s. *Arawa.*					Enclosures 1¼ %.			5 %.			2½ %.		
			£	s.	d.	£	s.	d.		s.	d.	£	s.	d.
	1 gross Clarke's Pyramid Night Lights	3/9	2	5	0									
T.I.D.	15 %			6	9									
												1	18	3
Christchurch, N.Z.	1 doz. each Waterman's Pens 0196/63/-, 0198/96/- . . .		7	19	0									
	83⅓ %		2	13	0									
												5	6	0
816	1 ½-plate " Demon " Camera, fitted tripod . . .								3	7	6			
	1 doz. each Rodgers' " Acme " razors ; 0196 bl./42/-, 1097 bl./45/-, 0198 ivory/48/-, 0199 ivory/54/-, 0246 ex. qual./60/-		12	9	0									
	15 %		1	17	3									
												10	11	9
	1 doz. each Ebony Hand Mirrors P119/48/-, P286/84/- . .		6	12	0									
	10 %			13	2									
												5	18	10
	3 only " Wortley " Oak Writing Cabinets, 18½" × 13" .	35/-	5	5	0									
	3 ,, ditto, Nickel Mounted, 9" × 12"	16/6	2	9	6									
	1 doz. each assorted Fancy Work Baskets : 9"/9/-, 10"/12/6, 11"/15/-, 12"/17/6		2	14	0									
			10	8	6									
	20 %		2	1	8									
												8	6	10
	1 " Beaufort " Dinner Service, 96 pieces . . .													
	1 only Epergnes each 76a/10/9, 83/15/-, 88/22/6													
	Manufacturers report " Beaufort " an old pattern long discontinued, and cannot trace ref. nos. for epergnes. Please send further particulars.													
	1 Enclo. from J. Simms, Leicester, as per invoice attached					27	10	9						
817	4 Rotary Knife-cleaners, S.F. 734, on stands, special .	10/9				27	10	9	3	7	6	32	1	8
	1 doz. Leather Roll-up Door Mats, ditto . each	4/9							2	3	0			
	3 ,, 10-pint Range Kettles	23/6	3	10	6				2	17	0			
	10 %			7	0									
									3	3	6			
	2 ,, 10½ Hand-bowls.	12/-	1	4	0									
	5 %			1	2									
									1	2	10			
	1 Enclo. from Howard and Jones, London, as per invoice attached					14	10	2						
	1 ditto, John Wilson, London					12	7	0						
828	1 Enclo. from McVitie and Kerr, Glasgow, as per invoice					54	7	11	12	13	10	32	1	8
	attached					27	5	9						
	1 ditto, James Buchanan, Glasgow					12	10	8						
	1 ,, McConochie Bros., Glasgow					13	5	4						
819	1 Case China Ware—Fife and Woodward, invoice attached					107	9	8	12	13	10	32	1	8
820	1 ditto					23	2	7						
821	1 ditto					19	10	8						
822	1 each All-brass Gongs—Job :					22	1	5						
	S 140/19/-, S 146/19/6, S 147/22/-, S 150/24/-, S 156/25/-, S 156a/25/6, S 157/30/- .								8	5	0			
	12 " Optimus " cooking stoves	22/-	13	4	0									
	5 %			13	2				12	10	10			
						£172	4	4	33	9	8	32	1	8
	1¼ % commission, 172/4/4 . .		2	3	0							33	9	8
	5 % ,, 33/9/8 . .		1	13	6									
	2½ % ,, 32/1/8 . .			16	0							65	11	4
												4	12	6
	1 Case, 6/6. 2 ditto, 4/-									14	6			
	Freight, 15/1/6 ; B/L, 2/6 ; Cartage, 4/9 ; Dock Charges, 5/6								15	14	3			
	Insurance, £275 at 8/3 %								1	2	8	17	11	5
												£87	15	3

E. and O. E.
ALEXANDER BROWN AND Co.

in all such cases under or at the side of the items referred to, and if necessary request further instructions from Tanquerays Ltd. The enclosures will be entered in the indent at different points according to the particular case in which they are enclosed, and their values entered in a separate column from that containing the charges for the miscellaneous items of the indent. The values of Fife and Woodward's three cases (we will assume three) are also extended in the same column as the enclosures. The marks and numbers of these cases were supplied by Brown and Co. in response to Fife and Woodward's reply to the postcard; copy of which the student has seen. The numbers are the rotation numbers from Brown and Co.'s shipping-book, and the cases were forwarded under their direction to the New Zealand Shipping Company, London, the Steamship Company being advised by Fife and Woodward to receive them on account of Brown and Co., who have sent the company their own shipping note. While the process of checking the parcels and extending the different items of the indent has been proceeding the warehousemen have been busy packing and marking the cases so that we now have Fife and Woodward's three cases at the docks and, say, four others ready for cartage to the docks, the whole being marked and numbered

T.LD. 816/822. The same procedure for shipping is
Christchurch, N.Z.

gone through as previously described.

(*g*) Brown and Co. then make out Tanquerays' invoice in triplicate from the Journal, the contents of each case being separately shown. To each copy of the invoice one invoice relating to each enclosure and to Fife and Woodward's three cases is attached. The first and second copies of the B/L and Insurance Policy (if insured under a separate policy) are forwarded to Tanquerays Ltd. by the outgoing steamer (or first mail steamer if the carrying vessel is not a mail-boat), and the triplicate set with a duplicate B/L is forwarded by the following mail. We give on pp. 202 and 203 a copy of Brown and Co.'s invoice, a study of which will make the preceding exposition quite clear to the student.

III. Exporting by Packing and Forwarding Agents

The procedure in this case need not detain us long. In the place of Messrs. Brown and Co., Commission Agents, in the foregoing illustration let us put Messrs. Harding and Finch,

TELEGRAMS : " HARDFIN, LONDON ". 16–18 ROOD LANE, LONDON.
TELEPHONE : 1735 CENTRAL

October 14, 1935.

CODES : A.B.C., X.Y.Z.

Messrs Tanquerays Ltd., Christchurch, N.Z.

In a/c with HARDING & FINCH

Shipping Agents and Export Packers

T LD. Christchurch.	Per s.s. *Arawa*.								
816	1 Case containing Enclosures ;								
	Clarke's Pyramid Light Co., Cricklewood	1	18	3					
	L. & C. Hardtmuth, London	5	6	0					
	The Ilford Photographic Co., London	10	11	9					
	Joseph Rogers & Sons, Sheffield	3	7	6					
	Marion & Co., London	14	5	8					
	J. Simms, Leicester	27	10	9					
	as per invoices attached.	—	—	—	62	19	11			
817	1 Case Enclos.									
	Ford & Wilkinson, Birmingham	9	6	4						
	Howard & Jones, London	14	10	2						
	John Wilson, London	12	7	0						
	as per invoices attached.	—	—	—	36	3	6			
818	1 Case Enclos.									
	McVitie & Kerr, Glasgow	27	5	9						
	James Buchanan, Glasgow	12	10	8						
	McConochie Bros., Glasgow	13	5	4						
	as per invoices attached.	—	—	—	53	1	9			
819	1 Case China-Ware—Fife & Woodward, Stoke-on-Trent, as per invoice				23	2	7			
820	1 ditto.				19	10	8			
821	1 ditto.				22	1	5			
822	1 Case Hardware—Telford & Co., Birmingham, as per invoice attached				20	15	10			
				£	237	15	8			
	1½ % Commission on £237 15 8							2	19	5
	1 Case Wood and Oil, 6/6. 2 Cases Wood only, 4/-								14	6
	rt. 242 ft.				15	1	6			
	B/L 2/6 : Cartage 9/- : Dock Charges 11/-				1	2	6			
	Insurance £275 @ 8/- %				1	2	0			
					—	—	—	17	6	0
							£	20	19	11

Export Packers. Harding and Finch will do no buying. All the buying is done direct by Tanquerays Ltd., and the manufacturers from whom they buy are instructed to mark the parcels as directed and forward them with triplicate certified invoices similarly marked to Harding and Finch. Harding and Finch make regular weekly, fortnightly, or monthly shipments to Tanquerays Ltd. and close down on a particular day (generally a day or two days before the outgoing vessel sails). All the parcels received prior to closing down are then packed into cases, marked, numbered and shipped as before. The invoice is a simple affair, being little more than an enumeration of the enclosures contained in each case—their values being extended short in one of the money columns, the total of which, though shown, is not included in the total of the invoice itself.

The only material part of the invoice so far as Harding and Finch are concerned is the small commission charged upon the value of the enclosure (2½ per cent.; or 1¼ per cent. in the case of valuable shipments) and out-of-pocket expenses incurred for cases, freight, insurance, etc. We append an example: *see* p. 205.

Settling Accounts. As Tanquerays', in this case, do all their buying direct, they settle their accounts direct, either by paying the bills drawn upon them by the manufacturers who supply them or by remitting to them. But they may, for the purpose of settling accounts too small to be drawn for or remitted direct, keep their Packing Agents in funds, and remit their customers' orders on the Packing Agents, who, having paid out on the authority of these orders, forward the receipts to their principals by way of vouchers, filing the original orders amongst their own records.

OUTWARD FREIGHT DEPARTMENT.

LIVERPOOL, 15*th Nov.*, 1935.

Messrs. Forder Bros. & Co., 33 *Leadenhall St., E.C.*

DR. TO THE CUNARD-WHITE STAR, LTD.

						Meast.		Rate	Freight			Total		
		Ton	Cwts.	Qrs.	Lbs.	Ft.	In.		£	s.	d.	£	s.	d.
B.S. *New York 60/64*	5*c/s. Books*	*1*	*2*	*2*				*40/*	*2*	*5*	*0*	*2*	*5*	*0*

N.B.—Any objection to this a/c must be lodged within a week after date or no allowance can be made.

MATE'S RECEIPT.

RECEIVED FROM *J. LACEY & SONS' Craft*

ON BOARD THE *s.s. Montezuma*

FOR *St. John, N.B.*

IN GOOD ORDER AND CONDITION.

ON A/C *Messrs. Robt. Anderson & Sons.*

K.K.

London, Ont. ***400***

K.K.

Hamilton. *100.* ***Five Hundred Boxes Dates.***

For Canadian Pacific Railway Co.

Atlantic S.S. Lines.

ALONGSIDE *Noon 14/11/1935.*

DISCHARGED *7/30 p.m. 24/11/1935.* ***A. J. Scott.***

Note. **This form is the Wharfingers' (J. Lacey & Sons) own and made out by them, and is signed on behalf of the S.S. Company (Canadian Pacific Railway Co.) by A. J. Scott, who is either the mate of the *Montezuma* or his Clerk.**

the *Importation of Plumage (Prohibition) Act*, 1921); Destructive Animals and Pests; Tobacco containing prohibited ingredients, etc. The importation of arms and ammunition and any other goods may be prohibited by Royal Proclamation.

The following are subject to restriction:—Foreign animals (landing places prescribed); Dangerous goods, explosives, etc. (Home Office licence required); Synthetic organic dyestuffs (Board of Trade licence); Saccharin (ports prescribed); Spirits other than cordials, perfumed or medicinal spirits (minimum size of ship 40 tons and of casks 9 gallons); Tobacco (approved ports only, in ships of not less than 120 tons or specially licensed, and in packages weighing at least 30 lbs. and containing no other goods).

Clearance Inwards. The whole of the cargo having been landed, the master applies to the Customs for clearance inwards. The Waterguard Officer then finally rummages the ship, examines the stores under seal, calls for the production of the Board of Trade "BB" certificate (which indicates that all the requirements of the Mercantile Marine Office have been complied with) and, if everything is in order, issues a ship's Inward Clearing Bill or Certificate (sometimes called a Jerque Note).

Entry and Clearance Outwards. Before taking on board goods for exportation the vessel must be "entered outwards" (Form No. 25 (Sale), *see* p. 241), and before departing on a foreign voyage every ship must be "cleared outwards." The general procedure is as follows: The master attends at the Custom House to give particulars of the ship, cargo and prospective voyage, and produces to the proper officer (commonly called the Searcher) as many of the following documents as are applicable to the particular case, viz. a copy of the Report Inwards of any goods reported for exportation in the same ship, the ship's Registry Certificate, Inwards Clearing Bill, Board of Trade Certificate ("AA" or "CC") showing that the requirements of the *Merchant Shipping Acts* as regards the outward voyage have been met, receipt for Light dues, receipt for Dock or Harbour dues, Board of Trade Passenger Certificate and list of outgoing passengers, and, if the ship carries steerage passengers as emigrants, a certificate for clearance granted by the emigration officer for the port. In the last-mentioned case the master will be required to give bond in terms decided by the Board of Trade. In the absence of any required document clearance may be refused. The penalty for sailing without clearance is £100.

The actual authority for the departure of the vessel is the " Clearance Label "—a card attached and sealed to the relative certificates and signed by the Customs officer.

Manifest, etc. It is a legal requirement that upon the exportation of any goods for which no bond is required the master or owner (or an agent) shall within six days of the clearance of the vessel deliver to the Customs a *manifest* containing particulars of all such goods shipped, with the marks, numbers, and description of the packages and the names of the consignors according to the Bills of Lading, but this requirement is usually dispensed with if, in addition to the specifications required to be passed by the exporter (*see* p. 184), there is handed in a declaration signed by the master, owner or agent that such specifications contain a complete account of the goods. A certificate of the quantity of coal or fuel shipped for use on a steamer trading to a foreign port is required in every case. Where goods are shipped under bond, a Shipping Bill takes the place of the Specification, and in these cases the proper documents must be prepared and passed before the goods are shipped (*see* pp. 248–250).

Air Navigation. The *Air Navigation Act*, 1920, and regulations thereunder make provision for the control of importation and exportation by aircraft on the same lines as the rules applicable to trade by sea, and the traffic by this means of transport has attained considerable proportions.

From the preceding paragraphs it will be gathered that so far as the ship is concerned the procedure is very similar whether the cargo consists of dutiable or non-dutiable goods ; indeed, it is not greatly different even if she arrives with no cargo at all—that is, " in ballast." But from the importer's point of view the procedure will depend on the description of the goods and what he wishes to do with them. For *every* kind of goods he must pass some form of Customs " entry " before they can be released from Customs charge, and we shall presently deal with the forms to be used in particular cases.

Bonded Warehouses. These warehouses are buildings owned privately, or by Joint Stock Companies. They are built to Government requirements, and are under the joint control of the Customs and the Proprietors. Their owners give bond in large sums to the Government as a guarantee that the warehouses shall be properly conducted. Each floor and compartment of these stores is separately numbered. and the reader who has inspected the exterior of these buildings may remember to have seen the doors on the different floors lettered and numbered, *e.g.* A1, A2, A3, and so on. Goods stored in these warehouses are said to be, "*In Bond*," and can only be released from bond if required for home use by the importer or owner of the goods paying the proper duty. The goods may be sold, and the ownership of them transferred from one to another, just as if they were in the seller's own warehouse. They are gauged, tested, weighed, sorted, sampled, etc., and prepared for market, exactly as they would be if they were in the owner's possession, but the operations are carried on under immediate Government supervision. If the student were to go to the London Commercial Sale Rooms on Sale Day, or to a firm of wholesale grocers, he would find upon the little desks of the Sale Room, or upon the benches of the warehouse, a large number of sample packets marked, *e.g.* "Ex *Java*, 15/10/1924, Fenning's Wharf," ready for inspection by prospective buyers. These samples, in the case of dutiable goods, are drawn from bond. It will be readily understood that if the duty on dutiable goods had to be paid immediately the goods were landed, the financial strain on the importer would be such as very few could stand. The difficulty is got over by warehousing the goods in these bonded stores, and paying the duty on such portions of them as are from time to time required for home consumption. When the proprietor desires to pay the duty, he fills up a Warrant for Home Consumption appropriate to the particular goods (*see* specimen for blended tea at p. 242) with which he hands in a Schedule in the form illustrated at p. 243. To save himself the trouble of paying duty on every delivery from bond the trader may make what is called a Gross Payment (*see* form at p. 243), the amount of which will be credited to a Gross Payment Account in his name at the warehouse. Subsequent deliveries will then be debited against that account, further Gross Payments being made from time to time as may be necessary. A Warrant will still be required for each delivery, but this will be passed by the officer at the warehouse instead of at the Custom House. A Gross Payment form is also used when tendering an amount short-paid on an ordinary Home Consumption Warrant.

Bonds. It has already been explained that the proprietors of bonded warehouses enter into a bond with the Customs as a guarantee that the warehouses shall be properly conducted. Inasmuch as the trade in dutiable goods involves their being transferred from warehouse to warehouse, or from warehouse to ship, or from ship to ship, and this transference may be effected either by land or water, special classes of carriers exist, known as *Licensed Carmen* and *Licensed Lightermen.* These carmen and lightermen have also entered into bond with the Customs as a guarantee that they will perform their duties in strict accordance with regulations. Similarly, the owners of dutiable goods enter into bonds with the Customs in respect of the following amongst other operations: (1) The exportation of dutiable goods; (2) the transhipment of dutiable goods; (3) the removal of dutiable goods from one bonded warehouse to another. In (1) the bond is taken on a *white* form, in (2) on a *pink* form, in (3) on a *green* form. A specimen bond for transhipment of dutiable goods is shown at p. 257. This bond is called an *Ordinary Bond, i.e.* it is a bond relating to one particular transaction. But merchants may also enter into a *General Bond* for a large sum sufficient to cover the whole of their transactions.

The ordinary scale of stamp duties for Customs Bonds is as follows:

Where the penalty does not exceed £10 .	3*d.*
Exceeding £10 and not exceeding £25 .	8*d.*
,, £25 ,, ,, £50 .	1*s.* 3*d.*
,, £50 ,, ,, £100 .	2*s.* 6*d.*
,, £100 ,, ,, £150 .	3*s.* 9*d.*
,, £150	5*s.* 0*d.*

But bonds for the removal, transhipment, exportation, or shipment as stores of any goods, are not stamped, and in a few cases bonds with a higher penalty than £200 carry a higher stamp duty than 5*s.* Where it is more convenient to the trader he may lodge cash or security in lieu of giving bond.

We will now deal with the procedure in the following cases:

(1) When importing free (*i.e.* non-dutiable) goods.
(2) When importing free goods for immediate export.
(3) When importing dutiable goods, delivery of which is taken at ship's side.
(4) When importing dutiable goods to be warehoused at the port of entry.
(5) When importing dutiable goods to be warehoused at a port or place other than the port of entry.
(6) When importing dutiable goods to be immediately re-exported.
(7) When removing dutiable goods from one bonded warehouse to another.

(8) When exporting dutiable goods *ex* bonded warehouse.

(9) When exporting dutiable goods by parcel post.

(1) **Importing Free Goods.** *See* p. 244, No. 23 (Sale), "Entry for Free Goods." This form relates to a shipment of 100 bags whole cleaned rice imported per *Sperber*, from Rangoon, by J. Jones, 101 Mark Lane, E.C. Jones received the Bill of Lading from the exporters, and also the invoice for the shipment. As soon as the *Sperber* was reported alongside Brewer's Quay, he filled up this form in duplicate, one copy, termed the *Warrant*, written out in full as shown, and one with quantities stated in figures, termed the *Bill*. The two forms were taken to the Custom House, signed and stamped by the proper officer there, who retained the *Bill*, and either handed back the Warrant, or sent it to the Customs officer in charge of the *Sperber*. The Warrant is the authority to the Customs officer to release the goods, which he will do after examining a percentage of the bags. If delivery is taken overside the form is made out in triplicate, and the word "overside" is written at the top left-hand of the form. The student will note that the value declared is the C.I.F. value, or if the goods are on consignment the latest market value of the goods. The description and classification of the goods is that adopted in the Import and Export List, drawn up by the Customs for the guidance of importers when entering goods. This List is the basis on which the statistics of trade published by the Board of Trade are compiled.

(2) **When Importing Free Goods for Immediate Re-Export.** *See* pp. 244–245, No. 15 (Sale), "Entry for Free Goods in Transit on Through Bill of Lading," and No. 16 (Sale), "Specification for Foreign and Colonial Goods Free of Duty in Transit on Through Bill of Lading." These forms relate to a shipment of fifty cases sardines, fish cured in oil, imported by James Fawn & Sons per *Hermes* from Setubal, on a through Bill of Lading, as being in transit for a foreign port. Shipments in transit are marked as such on the Bill of Lading, and the master of the importing vessel when making his report enters them separately (*see* p. 216). If at the time the entry (Form 15) is passed at the Custom House, the name of the exporting vessel is known, the specification (Form 16) can be handed in with the entry, and, in that case, only one copy of the entry will be required; otherwise the entry will be required in duplicate as in case (1) and the specification must be handed in later. No bond has been given, so the goods are subject to the usual Customs examination, after which they can be taken to the

exporting ship *Tomsa* for conveyance to Sydney, the carman obtaining a signature to his shipping note, or the lighterman a mate's receipt, as the case may be.

(3) **Importing Dutiable Goods—Delivery taken at Ship's Side.** *See* p. 246, No. 22 (Sale), "Entry for Home Use *Ex* Ship." This form relates to a shipment of 50 ½-cases currants imported by H. Williamson per *Tenedos* from Patras. It is termed a *Prime Entry,* and is made out in duplicate—Warrant and Bill—as previously described. The duty on currants is 2*s* per cwt., so that on 19 cwts., the weight mentioned on the prime entry, the duty is £1 18*s*., as there shown. This weight is not necessarily the actual dutiable weight, but it is an estimated weight obtained before the goods are landed. If, on the goods being actually weighed and tared, the duty paid on the prime entry is found to be in excess of that due, then an *Over-entry Certificate* is issued by the Customs and the excess duty paid is refunded. On the other hand, if the amount paid on the prime entry was less than that due, then a *Post Entry* in duplicate on the same kind of Form is passed, and the goods are released on the importer paying the balance of duty due. The student will see printed at the top of the prime entry form shown, the words "(If Post) Prime Entry No. .... dated ...." Post Entries are not required, nor O.E.C.'s issued (except on application) for less than 1*s*. In the case of such low duty goods as currants, the Customs accept the Dock Company's weights, subject to a check of about 5 per cent.

(4) **Importing Dutiable Goods to be Warehoused at Port of Entry.** When the importer desires to avail himself of the privilege of depositing his goods in a bonded warehouse, and thereby postponing the payment of duty until delivered for home use, or to obtain entire exemption if for exportation, a warehousing entry must be passed in duplicate containing the several particulars indicated in Form No. 46 (Sale) (*see* p. 246). In London, warehousing entries for goods to be landed at the dock or legal quay or sufferance wharf where the vessel is lying, or to be delivered overside for landing and warehousing at some other station, may be presented either at the Registrar's Office of such dock, quay or wharf, or in the Long Room. They may, if desired, be deposited in a box in the Long Room, for conveyance by the official messenger to the proper Office, where the order for the delivery of the goods from ship will be taken up by the representative of the dock company or wharfinger. A **Landing** Order (Sale Form No. 44, *see* p. 247) is issued (in

London) to the officer in charge of the importing vessel, or to the officer at the station where the ship is moored, as the case may be. At the other ports the warehousing Entry is sent to the landing officer.

The Entry Form No. 46 (Sale) at p. 246 relates to a shipment of 100 boxes Raisins of the estimated weight of 20 cwts., value £90, imported per *Pelago* from Malaga by Howard and Jones. The officer in charge of the *Pelago*, on receipt of the Landing Order, directs the removal of the goods to the bonded warehouse—"London Wharf"—where they are examined, weighed and tared. The officer at the Warehouse raises an account and obtains the signature of the Warehouse Keeper acknowledging receipt of the goods into warehouse.

(5) **Importing Dutiable Goods to be Warehoused at a Port or Place other than the Port of Entry.** *See* p. 247, No. 46a (Sale). In this case Howard and Jones have imported 50 boxes Dried Plums from San Francisco per *Westmeath*, but instead of warehousing them in London, the port of entry, they desire the goods to be warehoused in Glasgow. They accordingly give bond to the Customs that the goods shall be duly warehoused there within six days from delivery of the goods, *i.e.* they bind themselves under seal if the conditions of removal are not fulfilled to pay the Customs the sum mentioned in the Bond. The penalty of the bond for goods removed coastwise is based on single duty of the consignment. Bond having been given, and Form No. 46a having been filled up with two duplicates, the Clerk of the Bonds at the Custom House signs and stamps the Form 46a, and this (or, in London, a Landing Order signed by the Registrar) becomes the authority to the Customs officer, after weighing gross unless the goods are going under Crown locks, to release the goods for conveyance by ship or rail to Glasgow.

(6) **Importing Dutiable Goods for immediate Re-export.** *See* pp. 248–250, Form No. 51 (Sale), "Transhipment Delivery Order," Form No. 49 (Sale), "Bond Note for Transhipment and Exportation," Form No. 38 (Sale), "Shipping Bill for Transhipment Goods only." These Forms are used where dutiable goods are imported on a through B/L, or where the B/L is marked "In Transit." In this case they relate to a shipment of 50 chests of Tea imported per *India* from Colombo on a through B/L by Sainsbury and Co. to be re-exported to New York. Sainsbury and Co. fill up the "Shipping Bill," which is retained by the Crown. Where no general Bond is in force,

ordinary bond is given, but in this case a general Bond exists. They also fill up the "Bond Note," which, after being signed and stamped by the Clerk of the Bonds, is sent to the Customs officer in charge of the importing vessel, *India*, together with a "Transhipment Delivery Order"—Form 51—directing the removal, under the supervision of a Customs officer, of the 50 chests Tea from the *India* at the R.A. Docks to the officer of Customs in charge at Tilbury Docks, where the exporting vessel, *Minnetonka*, is loading for New York.

(7) **Removal of Dutiable Goods from one Bonded Warehouse to another.** *See* pp. 251–253, Form No. 521, "Request Note and Permit or Certificate," Form No. 507, "Warrant and Warehouse-keeper's Order." These Forms relate to a hogshead of unmanufactured tobacco warehoused "in bond" at Victoria Docks, London, which Flynn and Co., the owners, desire to be conveyed to and warehoused at a similar bonded warehouse at Bristol. Flynn and Co. fill up the Warrant and the Request Note. The Clerk of the Bonds at the Custom House signs and stamps the Warrant, and sends it with the Request Note to the Customs officer at the warehouse, Victoria Docks. The officer then signs the Request Note (which thereby becomes a "Permit"), and the Warehouse-keeper's Order; and the goods are then removed for transfer to Bristol. Similar procedure is followed for other goods.

(8) **Exporting Dutiable Goods Ex Bonded Warehouse.** *See* pp. 254–256. Form No. 504, "Bond Warrant—Dry Goods for Exportation," is the form used by the exporter when giving notice to remove the goods. On the back of this Warrant the exporter fills in particulars of the goods, the subject of the request, and at the foot of it, perforated, so that it can be detached, is the order to the Warehouse-keeper which he also fills in. He then fills up Form No. 64 (Sale), the Shipping Bill. The weight of the goods stated on the Shipping Bill, and at the back of the Warrant, is the actual weight of the goods, and may vary from that stated on the front, which is the covering weight for which bond is given. In addition to these documents bond is required, and in this connection an ordinary bond is shown at p. 257. A surety, usually a Broker or a Licensed Carman or Lighterman, is required for the Bond, and the name of the surety also appears on the Warrant. After scrutiny of the Warrant it is stamped and signed by the Clerk of the Bonds, and then the Warrant, with the Warehouse-keeper's Order attached, and the Shipping Bill are either taken or sent to the

officer in charge where the goods are warehoused. The officer at the Station keeps the Warrant, while the Warehouse-keeper's Order, after being signed by him, is sent to the Warehouse-keeper, who on presentation of it releases the goods to the Carman or Lighterman. They are then taken by the latter, with the Shipping Bill, to the dock where the export vessel is loading (in this case *Inkosi*, at West India Dock), and produced to the Customs Export officer. This official retains the Shipping Bill, while the Carman or Lighterman obtains a signature to his shipping note, or a Mate's Receipt, as the case may be.

(9) **Exporting Dutiable Goods by Parcel Post.** *See* pp. 258–260. In this case also the Bond and Warrant mentioned in (8) are required. In addition, the exporter fills up a " Form of Request," No. 57 (Sale), a Certificate of Posting, Form 58 (Sale) and the two Post Office forms headed " Despatch Note " and " Customs Declaration." The Despatch Note and Customs Declaration are retained by the Post Office, and the official at the Post Office receiving the parcel signs and stamps the Certificate of Posting. This certificate is then forwarded to the Customs officer stationed at the warehouse from whence the goods were released, as evidence that the conditions of the Bond have been duly fulfilled.

Bill of Sight. When an importer has not sufficient information as to the description, quantity and value of any goods, *i.e.* when the shipper has failed duly to advise the importer of the shipment, and to forward the Bill of Lading, the importer may make entry for the goods by *Bill of Sight, see* p. 261, Form (Sale) No. 21, filling in the particulars required by the form. This Bill of Sight serves as a warrant for the provisional landing of the goods. They are examined in the presence of the Customs officer, the importer or his agent, and within three days of their being landed, and before delivery of the goods, the importer or his agent must endorse on the Bill of Sight similar particulars to those required for perfect entry. The Bill of Sight thus endorsed, signed by the importer or his agent, and accompanied by the usual ' bill," is accepted as a perfect entry. Bills of Sight are taken out in the Long Room, so called because it is a *long* room.

Perishable Goods are landed, in advance of report, if necessary, on a written request (Form No. 53 (Sale), *see* p. 262) being made to the Surveyor or Officer on the station. They are delivered out of official charge immediately after examination (if found correct) on receipt of a deposit to cover the duty (if any), but the proper entry must be passed within three days. Live animals and current newspapers come under these rules, as well as fresh provisions, fruit, etc.

Bullion, Coin and Diamonds are landed and examined on a formal request (No. 55, Sale, *see* p 263) which takes the place of the ordinary form of entry. The goods are cleared after examination and production of the Bill of Lading.

Drawback. Customs and Excise Duties are only levied on goods delivered for home consumption. Consequently, when (1) excisable articles on which Excise duty has been paid are exported, and (2) imported goods on which import duty has been paid are re-exported, the exporters or re-exporters are entitled, on certain conditions, to a return of the duties paid. In (1) the return is known as *Excise Drawback*; in (2) it is called *Customs Drawback.* Drawback is also paid on some classes of goods on their deposit in a bonded warehouse, and in the case of British spirits exported or used in the manufacture of industrial methylated spirit, etc., an "Allowance" is paid in consideration of the loss occasioned to traders by the Excise regulations. The rates of Drawback and Allowance and the conditions under which they are payable will be found in the Customs and Excise Tariff. Drawback and Allowances are paid upon a document termed a *Debenture,* of which a specimen (for British Roasted Coffee or Foreign Beer) is printed at p. 264. A debenture is transferable, *i.e.* the person in whose favour the debenture is made out can sign and transfer it to another, who, on signing it, will be paid the amount expressed.

Bill of Store. British goods brought back within five years from the time of exportation may be admitted by Bill of Store on application by the importer on Form No. 39 (Sale), subject to the repayment of Drawback and Allowances (if any). Such repayments must be made to the Collector at the port of reimportation on a Home Consumption Warrant (*see* p. 220). Entry by Bill of Store is applicable not only to dutiable goods on which Drawback may have been paid on exportation or shipment as stores, but also, provided the circumstances are satisfactorily explained, to any goods bearing the name, brand or mark of a British manufacturer, and which would, therefore, if they were *not* British, be refused admission under the Merchandise Marks Acts. In the absence of a Bill of Store British goods are liable to the same duties, rules and restrictions as foreign goods of the same kind.

Customs Terms.—The following brief explanations of terms commonly met with in connection with Customs dealings will be useful:

Bed or *Break.* A sub-division of a chop of China tea, or a parcel of Indian, Ceylon or other tea of one mark and quality.

Bill of Health. A document issued on request to masters of vessels clearing outwards, showing that no plague, epidemic, cholera nor any dangerous or contagious disorder exists in the port or neighbourhood. Granted without qualification it is a *clean* Bill of Health; any exception makes it a *foul* Bill of Health.

Blending. Putting together wines or spirits of similar sorts (cf. "Mixing"). Blended tea, however, is a mixture of the produce of different countries.

Bulking. An operation performed by turning out the whole of a parcel of tea, coffee, cocoa, etc., thoroughly mixing it by means of wooden spades and then returning the mixture to the cases. Each case thus contains tea or other goods of even quality. (*See* "Overtakers.")

Chop. A parcel of China tea consisting of a number of packages of tea of like quality, arranged in a bonded warehouse for the purpose of being dealt with.

Filling. Making good natural waste in casks of wines or spirits by adding liquor of the same or similar kind.

Garbling. Sifting or separating bad or damaged portions of goods from the sound and good portions.

Gauging. The process for finding out the quantity of liquid any cask is capable of holding, and also what it contains when partially full. The former is called the *content,* the latter the *ullage.* The difference is called the *deficiency.*

King's Warehouse. A room in the Custom House at each port where forfeited goods are deposited, and other goods are temporarily secured pending payment of duty, etc.

Jerque (*to*). To jerque a ship is (*a*) to clear her inwards after discharge (*see* p. 218) or (*b*) to examine the documents (report, entries, etc.) forming the complete file of a ship, to see that the whole of the reported cargo has been duly accounted for. (The term *jerquer* possibly comes from the Italian *cercare* (French *chercher*), to search.)

Long Room. The room in a Custom House where public business is transacted.

Mixing. Putting together wines or spirits of different sorts.

Obscuration. The difference (caused by matter in solution) between the true strength of spirits and that indicated by the hydrometer.

Overtakers. The extra packages created when goods that have been *bulked* cannot be returned entirely into their original packages.

Racking. Drawing off wines and spirits from one cask or vessel into another.

Repacking. Changing the packages in which goods are contained.

Rummage (*to*). To search a ship for contraband goods.

Searcher. The official in the Custom House who deals with matters connected with outward-bound vessels.

Skipping. The transference of the contents of a package from one container to another, either temporarily (for purposes of repair) or permanently.

Station. A wharf (or wharves), warehouse (or warehouses) or area of town or country under the supervision of an officer of Customs and Excise.

Stiffening Order. A permit to load heavy goods as ballast (for steadying the ship) before the usual formalities have been complied with.

Store Floor. A compartment in a warehouse where packages of goods from which it is intended to draw off small quantities for ships' stores are deposited under Crown locks.

Stores Authority. The Customs authority to ship dutiable goods from bond for use as stores.

Transit Shed. A place approved for the reception of goods landed from a ship prior to report, etc. In theory, goods in a transit shed are deemed to be still in the ship.

Vatting. Putting together wines or spirits in a vat or large vessel to obtain uniformity of character.

Victualling Bill. A list of dutiable stores taken on board for the use of the crew and passengers during a voyage.

The Port of London. The student should note that while the procedure set forth in this chapter is, in its main features, the procedure followed at all ports, some of the details are applicable to London only. London Port is unique. It has developed on no settled plan, but as its trade expanded, so private enterprise added dock to dock and warehouse to warehouse, with the result that the Port is a congeries of docks and warehouses, scattered over a very wide area. About one-half the shipping coming up the Thames discharges in the river itself, either at moorings in the stream or at one of the 320 wharves which line the river. The other half discharges in the docks. Omitting a few small docks owned by railway companies and The Regent Canal Co., there are, on the north side of the river, the St. Katharine Docks, the London Docks, the West India Docks, the East India Docks, Royal Victoria Docks, Royal Albert Docks, Tilbury Docks, and on the south side, the Surrey Commercial Docks. Another point to be noted is that a considerable part of the trade of London Port is a purely *transit* trade. The Customs rules and regulations applicable to London have accordingly been framed to meet the peculiar exigencies of its trade and circumstances. These rules and regulations are necessarily minutely exacting in order to safeguard the interests of the Crown; but, subject to this, the customs and requirements of particular trades are considered and full facilities are accorded to shippers and others. Some of the great Continental North Sea Ports, owing to their comparatively recent rise, and also to Government support, are in some particulars better equipped and offer greater facilities to shippers than London. Until March 1909, the London docks, the first of which, the West India Dock, was opened as far back as 1802, were the property of heavily capitalised private companies, which had apparently reached their utmost limit of usefulness and development. But a great step forward was taken by the passing of the *Port of London Act*, 1908. Under this Act all the docks were taken over by a newly constituted body, the Port of London Authority, who also assumed for that part of the Thames below Teddington all the rights, powers and duties of the Thames Conservancy, formerly the authority for maintaining the river channel by dredging, governing and regulating navigation, removing wrecks, and controlling the making of piers, embankments, and other works abutting on the river. The new authority has also assumed the functions of the Waterman's Company, which, till the passing of the Act of 1908, licensed all lightermen navigating the river. Thus both the Docks and the Waterway are now under public control. New docks have been, and are still being, built, and great improvements in the administration, preservation and equipment of the Port of London has resulted.

FREE TRADE AND PROTECTION.

Free Trade, Tariffs and the Most-favoured Nation Clause. When a country's fiscal policy is such that Customs duties are levied only or mainly on goods which are not grown or manufactured in the country, or, otherwise, when the Customs duties are countervailed by corresponding Excise duties, that country is known as a *Free Trade Country.* For a period of about 70 years, dating, in effect, from the year 1845, the United Kingdom, standing almost alone among the nations of the world, held firmly to a free trade policy. The first notable instance of a departure from this long-continued practice was the imposition, in 1915, of the "McKenna duties" on motor cars, musical instruments, clocks, watches, and cinematograph films; but even these were intended not so much for the protection of British industries as to reduce "luxury" imports and to restrict the use of shipping during the Great War. Then, in 1921, came the Key Industry Duty, frankly protectionist in character, but still based as much on national as on economic grounds, in the light of our war experience. In December 1931 a protective duty was put on Horticultural Products—but this was to be operative for twelve months only. With the *Import Duties Act* of 1932, however, Great Britain definitely abandoned, for the time being at least, its free trade policy and rejoined those countries which levy taxes on imported articles not only to raise revenue but also to establish particular industries in such countries, and thereafter to protect them from the competition of foreign manufactures. Such taxes are termed *Protective Taxes,* and the countries adopting them as *Protected Countries.* Schedules are drawn up of every known commodity, and import duties are fixed in respect of each—excepting such articles as may be placed on a *Free List,* as in the case of Great Britain under the practice established by the Import Duties Act. These schedules are known as *Tariffs.* As indicated on page 213, the duty charged may be a certain percentage of the market value, and is then called an *ad valorem duty*; or it may be at a stated rate per unit of weight, volume or measurement, and is then called a *specific duty.* In some cases both kinds of duty are levied on the same article. Most countries have two scales, a minimum and a maximum tariff. The maximum tariff is imposed upon imports from those countries with which the importing country has no commercial treaty; the minimum applies to those countries with which a commercial treaty has been made. Great Britain has negotiated agreements with almost every country in the world (the first was that with France, carried through by Mr. Cobden in 1860), and her exports are allowed to enter under what is known as the "*Most-Favoured-Nation Clause.*" This clause is self-explanatory and runs somewhat as follows:

"*No other or higher duties shall be imposed on the importations into the dominions and possessions of His Britannic Majesty of any article the growth, produce, or manufacture of the dominions and possessions of , from whatever place arriving, and no other or higher duties shall be imposed on the importations into the dominions and possessions of of any article the growth, produce, or manufacture of His Britannic Majesty's dominions and possessions, from whatever place arriving, than are or shall be payable on the like article the growth, produce, or manufacture of any other foreign country.*" So that, so far as Great Britain is concerned, whatever lowering of tariffs may result from agreement between two protected countries, any benefit obtained by either of them, beyond that enjoyed by other countries, must be shared by Great Britain, and conversely, any reduction granted by Great Britain to a foreign country must be extended to all countries with whom this clause operates. It is because British goods are allowed to enter foreign countries under the most-favoured-nation clause that our exporters are so frequently required to attach certificates of origin to their invoices.

Bounties, Subsidies. Foreign countries adopt other means of fostering native manufactures besides imposing tariffs. They grant *Bounties*, or *bonuses*, to their manufacturers. Thus the Government of Canada pays to Canadian manufacturers of wire rods, to be used in Canada for further manufacture, a bounty or bonus of $6 per ton, and also a bounty on the manufacture of pig-iron, steel billets, and the production of lead; France pays a bounty to her shipbuilders. Other methods for the achievement of the same ends are: (1) the payment of *Subsidies* (such, *e.g.*, as those paid by Germany towards the upkeep of her ocean liners), and (2) *Special Legislation, e.g.* where a country enacts that goods must be imported and exported in native bottoms. Great Britain now pays neither bounties nor subsidies. The payments made to the Cunard-White Star, Ltd., are in the nature of a loan against security, and for the provision of vessels which, in time of war, may be utilised as auxiliary cruisers. Other payments are made to Steamship Cos. by the P.M.G. for the carrying of the Royal Mails In these cases the payments made are for services rendered, and not for the purpose of facilitating competitive warfare with the carrying companies of other countries.

Preference. Where a country, *e.g.* Canada, charges a lower rate of duty on goods imported from Great Britain than that charged on goods imported from other countries, or allows the goods of Great Britain to come in free, while subjecting the goods of other countries to duties, Canada, or any country following either course, is said to give a *Preference* in favour of Great Britain. Thus under the *Finance Act*, 1919, Customs Duties on certain goods imported into this country are charged at preferential rates if consigned from, and produced or manufactured in, the countries comprising the British Empire.

The Conditions Governing the Growth of Industries. It is an economic truism that industries flourish best in those parts of the world most adapted for them, and that commerce flows chiefly along the highways nature has provided. Hence the trade of a country is determined by (1) its *natural advantages, e.g.* climate, the existence or non-existence of forests, minerals, oil and nitrogenous deposits; the character of its soil and the area available for the cultivation of cereals, roots, fruits, the raw materials of manufactures, and for the upkeep of flocks and herds; the extent and character of its coast-line, and the absence or abundance of natural harbours and navigable waterways; (2) its *Geographical Position, i.e.* its position relative to the great land masses of the globe, and the large centres of population; (3) the *number and characteristics of its inhabitants,* whether they be few or many in number, whether energetic or lethargic, quick or dull-witted, thrifty or prodigal, laborious or pleasure-loving, etc.; (4) the *education of its inhabitants, i.e.* the degree to which the natural abilities of the people have been trained and developed by technical education, and how far the discoveries of science have been and are being applied to the improvement of manufacturing processes; (5) *internal and external communications, i.e.* the extent to which roads, canals, railways, telegraphs and telephones, docks, steamship lines, and cable services have been provided; (6) *Capital, i.e.* the amount of surplus wealth available for the expansion of old and the inauguration and carrying on of new enterprises.

The Extent to which these Conditions apply to Great Britain Thus, in the case of Great Britain, (1) it possesses a temperate and equable climate, has about 2,800,000 acres of woods and plantations, but of forest as understood in Canada, Russia, Australia, and other great timber-producing countries, it has none. Coal exists in large quantities, and though the production, consumption and exportation of coal is enormous, a re-assuring statement as to the probable duration of our coal-fields has been issued by a Royal Commission. But the methods of utilising the coal extracted are wasteful in the extreme, and there is grave need for the application of scientific methods to the whole question of fuel consumption. The future would appear to lie in the direction of low carbonisation at the mines of high-grade coals, by which the oils and other valuable products are first recovered, leaving a coke, which after fine pulverisation, can be burned in furnaces as gas is burned. Low-grade coals that would not pay for carbonisation can similarly be pulverised and burned. In this way our coal supplies would be conserved enormously, boiler efficiencies would be greatly increased, large economies in manufacturing costs could be effected, and the smoke nuisance eliminated. There is much Iron Ore, though some of the best veins are exhausted, and supplies are now drawn from Spain and Sweden. Limestone, which together with Coal and Iron Ore go to the making of Pig Iron, the basis of Steel, is abundant. There are many varieties of stone and granite and much slate. Tin, Lead, Copper, Zinc, Pyrites and Gold are also mined, but the annual output of these is not large. Up to the present, oil has not been found in sufficient quantities to pay for drilling, and the country is badly off for nitrates used for manures. Its soil is fertile, and crops suitable for temperate climates do well, as also do Flocks and Herds and Horses. But the extent of the crops, and the numbers of its sheep and oxen, are conditioned by the limitations of its area, the total extent of which is 87,500 square miles, or roughly, 56,000,000 acres, excluding water. The area under grass and crops is about 32,000,000 acres, and there are about 15,000,000 of mountains and heath-land, bog, barren scrub and water. Great Britain consists of several islands whose coast-lines afford many good natural harbours. There are some rivers easily accessible from the sea, the Thames in particular affording forty-three feet of water up to Tilbury (twenty-three miles from London) and thirty-seven feet almost up to the City of London itself, about fifty miles from the sea. These depths are in process of extension.

As to (2) geographical position, Great Britain is ideally placed, occupying almost the centre of the Northern land hemisphere. (3) Its population is dense, being over 43,000,000, or about 650 persons per square mile in England and Wales, and about

160 persons per square mile in Scotland. The people are intelligent, energetic, capable of easily adapting themselves to changed conditions, law-abiding, ambitious, and on the whole strike the happy medium between the love of work and the love of play. (4) Its artisans are as skilful as any in the world, and its manufacturers and great organisers of labour as sagacious and as resolute as any ; but much, very much, yet remains to be done in the matter of technical education, and in applying the lessons and discoveries of the laboratory to the arts of manufacture. (5) Its internal communications, roads, canals, railways, telegraphs and telephones leave little to be desired from the point of view of extent, but, owing to the great development of mechanical transport, there is need for the construction of new and the widening of old roads. The Canals, however, are neglected. Notwithstanding the recent Railway amalgamations, and the lower working costs which presumably have resulted, the freight and passenger rates are far too high, and impose a great handicap on industry and trade. Hence the great development of goods and passenger transport by road. The Docks of the United Kingdom are the most extensive in the world. The tonnage of its mercantile marine is over 30 per cent. of the whole shipping tonnage of the world. It includes some of the largest and swiftest of the world's steamers, and its ships cover every sea. (6) As to Capital the United Kingdom with one exception is the richest country in the world. Its accumulations of capital are not only ample for all requirements, but immense sums are annually invested in Foreign and Colonial enterprises.

Appended are the statistics of the Import and Export Trade of the United Kingdom for the year 1930, taken from the Trade and Navigation Accounts of Great Britain and Northern Ireland published by H.M. Stationery Office. The student is advised to study them in the light of the foregoing remarks. It may be mentioned that, in addition to the exports shown, there are our exports of services and of capital—Shipping, Commissions, Indian Service Charges, Loans.

IMPORTS AND EXPORTS OF THE UNITED KINGDOM,* 1930.

	Imports (Value c.i.f.).	Exports (Value f.o.b.).
I. FOOD, DRINK AND TOBACCO—	£	£
Grain and Flour	72,928,436	4,256,047
Feeding-stuffs for Animals	5,743,873	2,171,957
Meat	111,670,564	1,487,813
Animals, Living, for Food	18,317,811	221,633
Other Food and Drink (non-dutiable)	193,255,353	31,632,173
†Other Food and Drink (dutiable)	57,906,750	—
Tobacco	15,728,974	8,482,673
TOTAL, Class I	475,551,761	48,252,296
II. RAW MATERIALS AND ARTICLES MAINLY UNMANUFACTURED—		
Coal	29,120	45,671,032
Other Non-Metallic Mining and Quarry Products and the like	5,275,088	1,648,618
Iron Ore and Scrap	5,162,104	568,200
Non-Ferrous Metalliferous Ores and Scrap	12,240,497	789,117
Wood and Timber	42,797,519	281,015
Raw Cotton and Cotton Waste	44,920,399	600,209
Wool, Raw and Waste, and Woollen Rags	45,257,837	4,831,834
Silk, Raw, Knubs and Noils	1,520,313	14,195
Other Textile Materials	9,588,284	267,770
Oil Seeds, Nuts, Oils, Fats, Resins and Gums	33,873,933	3,612,799
Hides and Skins, undressed	16,110,142	1,438,042
Paper-making Materials	12,073,951	1,048,109
Rubber	10,728,183	174,600
Miscellaneous Raw Materials and Articles mainly unmanufactured	11,230,754	2,869,484
TOTAL, Class II	250,808,124	63,815,024
III. ARTICLES WHOLLY OR MAINLY MANUFACTURED—		
Coke and Manufactured Fuel	10,000	3,549,106
Earthenware, Glass, Abrasives, etc.	**10,907,446**	**11,900,888**
Iron and Steel and Manufactures thereof	23,327,122	51,270,033
Non-ferrous Metals and Manufactures thereof	29,382,210	12,037,798
Cutlery, Hardware, Implements and Instruments	7,697,465	7,336,254
Electrical Goods and Apparatus	7,031,957	11,929,229
Machinery	17,913,104	46,928,361
Manufactures of Wood and Timber	8,741,421	2,215,409
Cotton Yarns and Manufactures	9,734,773	87,573,548
Woollen and Worsted Yarns and Manufactures	14,263,590	36,956,234
Silk and Silk Manufactures	11,221,090	1,556,216
Manufactures of Other Textile Materials	15,330,552	19,557,521
Apparel	19,305,234	19,758,247
Chemicals, Drugs, Dyes and Colours	13,568,135	21,966,591
Oils, Fats, and Resins, manufactured	46,281,819	7,472,954
Leather and Manufactures thereof	15,247,181	5,261,865
Paper and Cardboard	17,989,281	8,475,454
Vehicles (including Locomotives, Ships and Aircraft)	6,821,370	50,741,916
Rubber Manufactures	3,927,163	2,830,588
Miscellaneous Articles, mainly or wholly manufactured	28,798,112	30,432,827
TOTAL, Class III	307,499,025	439,751,039
IV. ANIMALS, NOT FOR FOOD	3,678,723	1,502,029
V. PARCEL POST	7,302,561	17,232,558
TOTALS	1,044,840,194	570,552,946

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* The Imports are returned at the C.I.F. value, *i.e.* cost of goods plus insurance and freight; the Exports are returned at the F.O.B. value, *i.e.* cost of goods excluding the cost of insurance and freight. Hence to obtain an exact comparison of the values, the freight and insurance must be added to the value of the Exports.

† Duty on Tea repealed as from 22nd April, 1929. Figures transferred to "**Other Food and Drink (not dutiable).**"

H.M CUSTOMS AND EXCISE

If Sailing Vessel,
Motor Vessel
or Steamer.

REPORT.

No. 1 (Sale).

No.________

Official Number
Number of *Register*
Date of *Registry*

Port of

Ship's Name	Tonnage	British or Foreign; if British, Port of Registry, if Foreign, Country to which she belongs	Number of Crew		Name of Master, and whether a British or Foreign Subject	Port or Place from which arrived
			British Seamen	Foreign Seamen		
Quernmore	5000	British London	50		H. Carson British	Colombo.
		TOTAL				

CARGO.

1	2	3	4	5	6	7
Name or Names of Places where laden in order of time	Marks.	Nos	Packages and Descriptions of Goods, Particulars of Goods stowed loose, and General Denomination of Contents of each Package of Tobacco, Cigars, Snuff, Spirits or Saccharin intended to be imported at this Dock	Particulars of Packages and Goods (if any) for any other Port in the United Kingdom	Goods (if any) to be transhipped or to remain on board for exportation	Name of Consignee
Colombo If any wreck or derelict was fallen in with, or picked up, or iceberg observed or any casualty to the vessel occurred during the voyage, particulars to be stated.	◇C		Three Thousand Chests Tea	–	–	The Ceylon Tea Company Ltd. 12a Mincing Lane, E.C.

[OVER

STORES

Surplus Stores remaining on board, viz.:	Tobacco, Cav.	lb	Spirits	galls.	Playing Cards .. No of packs.
	" O S	lb	Cordials or Liqueurs	galls	Sundry low duty goods
	" Unmanufactured	lb	Perfumed Spirits .	galls	Copyright Works
	" Cigarettes	lb.	Saccharin	oz	Live Stock ...
	Cigars	lb	Tea	lb	
		number	Wine	galls.	

Number of Passengers (if any)—British________Alien________Total Number________

Pilots' Names________________

† At what Station Ship lying________________

Agent's Name and Address________________

I declare that the above is a just Report of my Ship and of her Lading, and that the particulars therein inserted are true to the best of my knowledge, and that I have not broken bulk or delivered any Goods out of my said ship since her departure from , the last Foreign Place of Loading, *except

*Delete, if not applicable.

(Signed)

Master

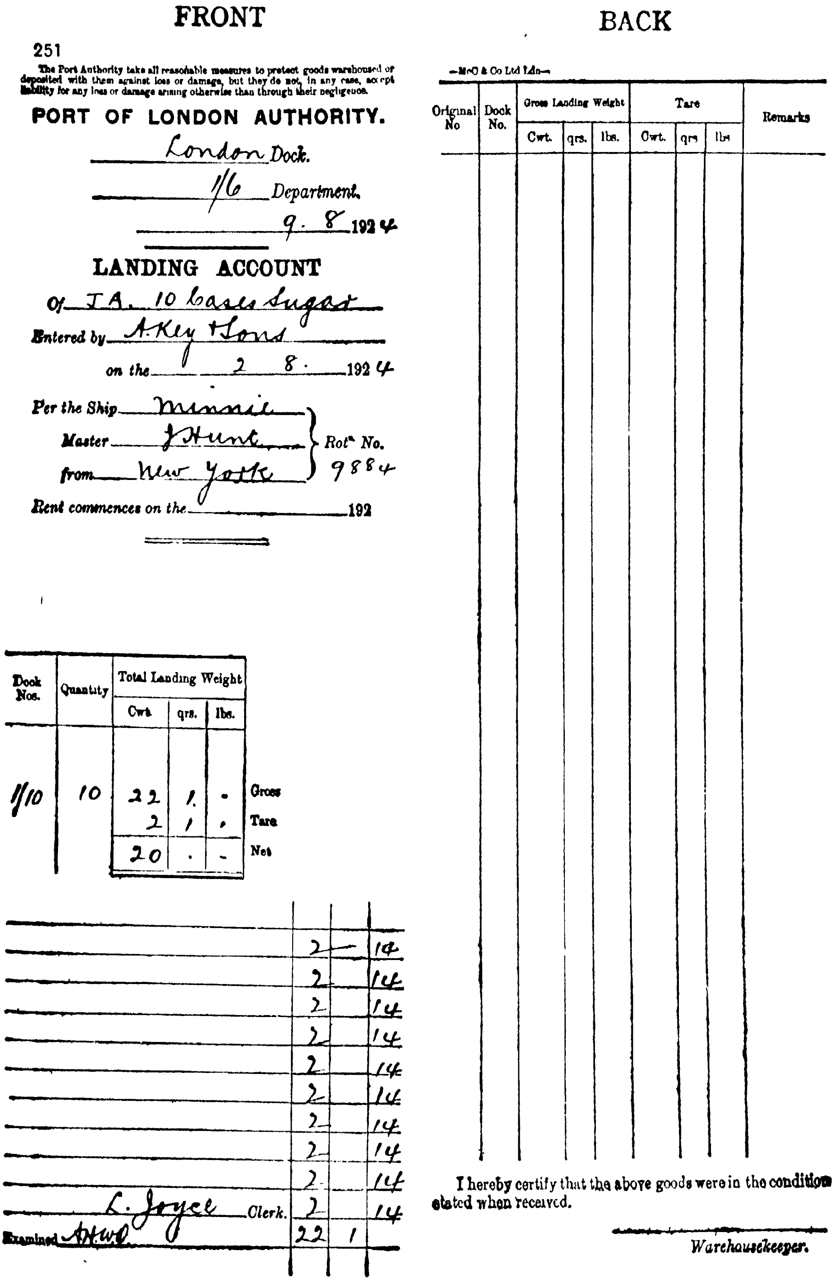
Signed and declared this day of 192

, In the presence of

† If this is not the station of discharge, state also where cargo will be discharged.

(Countersigned)

pro *Collector.*



FRONT

251

The Port Authority take all reasonable measures to protect goods warehoused or deposited with them against loss or damage, but they do not, in any case, accept liability for any loss or damage arising otherwise than through their negligence.

PORT OF LONDON AUTHORITY.

London Dock.

1/6 Department.

9. 8 1924

LANDING ACCOUNT

Of J A. 10 Cases Sugar

Entered by A. Key + Sons

on the 2 8. 1924

Per the Ship Minnie
Master J Hunt
from New York
Rotn No. 9884

Rent commences on the ______ 192

Dock Nos.	Quantity	Total Landing Weight			
		Cwt	qrs.	lbs.	
1/10	10	22	1	.	Gross
		2	1	.	Tare
		20	.	-	Net

	2	—	14
	2		14
	2		14
	2		14
	2		14
	2		14
	2		14
	2		14
	2		14
L. Joyce Clerk.	2		14
Examined AHW	22	1	

BACK

McC & Co Ltd Ldn

Original No	Dock No.	Gross Landing Weight			Tare			Remarks
		Cwt.	qrs.	lbs.	Cwt.	qrs	lbs	

I hereby certify that the above goods were in the condition stated when received.

Warehousekeeper.

803

PORT OF LONDON AUTHORITY.

1/6 Department, London Dock,

CERTIFICATE OF SURVEY.

Of One Pipe Wine

Per the Ship Abscan Capt Brown @ Lisbon

Entered by J Brown & Co

We, the undersigned, having surveyed and carefully examined the under mentioned goods, do REPORT concerning the cause of the injury or damage which has happened to the same, as stated below

Mark	Number	Contents	Ullage	Deficiency	Amount of Loss	Cause of Damage.
C Extra	1	115	110	5	3	Broken stave

Witness our Hands,

this 9th day of August 1924

H Green Surveying Officer.

W Bateman Vault Keeper.

J White Warehouse-Keeper

No. 25 (Sale.)

H M. CUSTOMS AND EXCISE

ENTRY OUTWARDS.

If {Sailing Vessel or Steamer.

*Port of*__________

Ship's Name and Port of Registry If Foreign, name of Country to which she belongs	Master	Destination

__________Tons __________Men.

Last Voyage from__________ with Cargo / in Ballast }* *Delete the words inapplicable

Lying at__________

Date of Report__________

Part of inward cargo still on board for { Port or Ports in the U.K., viz.__________ / Exportation__________

If Ship shall have commenced her lading at any other Port, name of such Port }

Brokers__________

Address__________ Signed__________

Master or Agent.

*Date of Entry*__________

I certify that the following is a correct statement of the distance in feet and inches between Centre Maximum Load Line Disc and upper edge of Line indicating the position of the

First Deck above it		Second Deck above it	
Ft.	In.	Ft	In.

Dated this day of 192

*__________

NOTE —In the case of Colonial and Foreign Vessels, certain approved Load Line Certificates are to be accepted as valid in the United Kingdom

* The Certificate may be signed by any Person coming within the definition of Shipowner as interpreted in Section 492 of the Merchant Shipping Act 1894.

*Ledger No.*________ *Folio* ________

I. WARRANT—BLENDED TEA FOR HOME CONSUMPTION.

*Port or Collection*________________

Collector's {*No.*______________ *Station*________________

Collector's {*Date*______________ *Number*________________

*Month and Year*______________ 192__

To the Officer in Charge of________________________ Warehouse,

Notice is hereby given to deliver the undermentioned*__________________

Packages of BLENDED TEA________________________

*Number of Packages to be stated in words.

Name of Firm paying Duty ________________________

*Address*______________________________

Register and Folio	LANDING OR WAREHOUSE ACCOUNT (to be filled up by the Merchant)			
	Removal or Operation Particulars	Numbers	Country of Production†	Lbs. Net
			India	
			Ceylon.	
			Other British Possessions and Protectorates	
			China .	
			Other Foreign Countries	
			Total	

†Separate quantities for each country of production should be given.

____________________ *Officer.*

____________________ *Date.*

	£	s.	d.
Duty at 3½^{d} per lb.		:	:
Duty at 4^{d} per lb		:	.
Total Duty .			.

Received the sum of____________________ pounds,

______________ shillings, and____________ pence

____

Collector of Customs and Excise.

II. WAREHOUSEKEEPER'S ORDER.

*Station Number*________________

To the Warehousekeeper at____________________ *Month and Year*______________ 19__

You may deliver the undermentioned goods provided that they are actually removed from the Warehouse before any addition has been made to the duty chargeable

Removal or Operation Particulars	Number and Description of Packages in words BLENDED TEA	Number	Date of Delivery (to be filled in by the Warehousekeeper)

____________________ {*Name of Firm paying Duty.*

______________ {*Officer of Customs and Excise.*

______________ *Date.*

III. MEMORANDUM TO BE RETAINED BY COLLECTOR.

Collector's No.
and Date

Station________________________

Paid by______________________________

Description of Goods: BLENDED TEA.

Duty {at 6½d. £ s s d.

Duty {at 8d. £ s s d.

Gross Payment Receipt.

Collector's Number

Date

Collection
Station
*Station Number
*Month and Year 192 .

To the Officer in Charge

You may allow the delivery of Goods (a)

(a) State description. (Where the form is used for Short Payments, particulars should also be given.)

the duty upon which does not exceed the sum of

pounds

shillings, and pence

paid by

address

£ " "

Collector.

* Particulars to be given when used for Short Payment,

C. & E. No. 519. Sec. $\frac{34188}{1921}$.

J 64 9127a/356 100,000 7/22—McC & Co Ltd—118 11

COLLECTOR'S MEMORANDUM. **Gross Payment.** No and date

Station

Paid by

Description of Goods

Duty £ : s. d.

Schedule of Duties paid ex Warehouse.

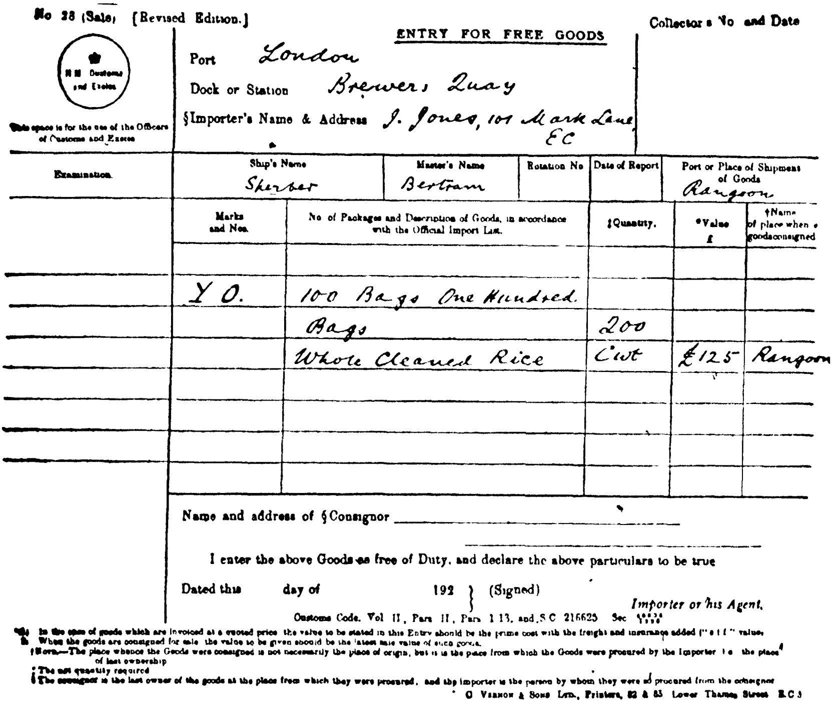
Date 191

Merchant

Goods.	Amount of Duty £	s	d
Total amount of duty paid £			

	£	s.	d
Transfers Cheques Notes .... Coins			
Total .			
Change required			
Net sum paid			

No. 512.



No 28 (Sale) [Revised Edition.]

Collector's No and Date

H M Customs and Excise

This space is for the use of the Officers of Customs and Excise

ENTRY FOR FREE GOODS

Port London

Dock or Station Brewers Quay

§Importer's Name & Address J. Jones, 101 Mark Lane EC

Examination	Ship's Name Sperber		Master's Name Bertram	Rotation No	Date of Report	Port or Place of Shipment of Goods Rangoon
	Marks and Nos.	No of Packages and Description of Goods, in accordance with the Official Import List.		‡Quantity.	*Value £	†Name of place whence goods consigned
	Y O.	100 Bags One Hundred				
		Bags		200		
		Whole Cleaned Rice		Cwt	£125	Rangoon

Name and address of §Consignor

I enter the above Goods as free of Duty, and declare the above particulars to be true

Dated this day of 192 } (Signed)

Importer or his Agent.

Customs Code. Vol II, Para II, Para 1 13, and S C 216625 Sec [illegible]

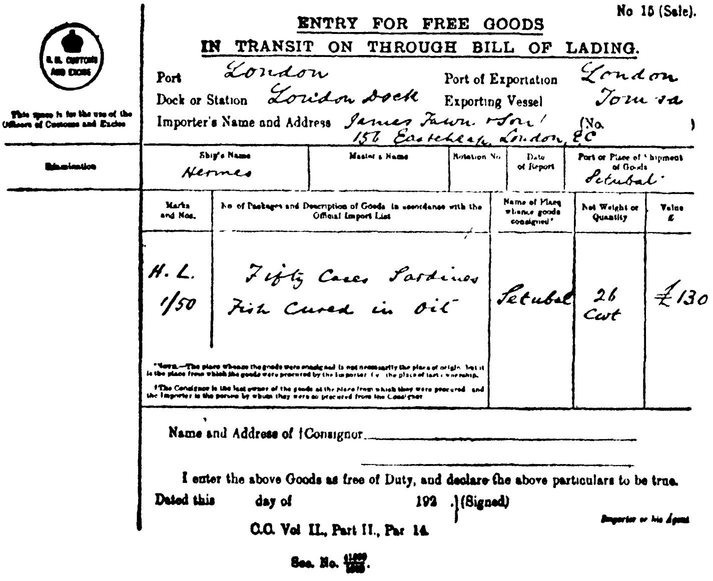
*(a) In the case of goods which are invoiced at a quoted price the value to be stated in this Entry should be the prime cost with the freight and insurance added ("c i f" value).
(b) When the goods are consigned for sale the value to be given should be the latest sale value of such goods.

†Note.—The place whence the Goods were consigned is not necessarily the place of origin, but it is the place from which the Goods were procured by the Importer i e the place of last ownership

‡ The net quantity required

§ The consignor is the last owner of the goods at the place from which they were procured, and the importer is the person by whom they were so procured from the consignor

C Vernon & Sons Ltd., Printers, 82 & 83 Lower Thames Street E C 3



No 15 (Sale).

H.M. Customs and Excise

This space is for the use of the Officers of Customs and Excise

ENTRY FOR FREE GOODS
IN TRANSIT ON THROUGH BILL OF LADING.

Port London
Port of Exportation London
Dock or Station London Dock
Exporting Vessel Tomsa
Importer's Name and Address James Fawn & Son 156 Eastcheap, London, EC (No.)

Examination	Ship's Name Hermes	Master's Name	Rotation No	Date of Report	Port or Place of Shipment of Goods Setubal	
	Marks and Nos.	No of Packages and Description of Goods in accordance with the Official Import List	Name of Place whence goods consigned*	Net Weight or Quantity	Value £	
	H. L. 1/50	Fifty Cases Sardines Fish Cured in Oil	Setubal	26 Cwt	£130	

*Note.—The place whence the goods were consigned is not necessarily the place of origin, but it is the place from which the goods were procured by the Importer i.e. the place of last ownership.

†The Consignor is the last owner of the goods at the place from which they were procured and the Importer is the person by whom they were so procured from the Consignor

Name and Address of †Consignor

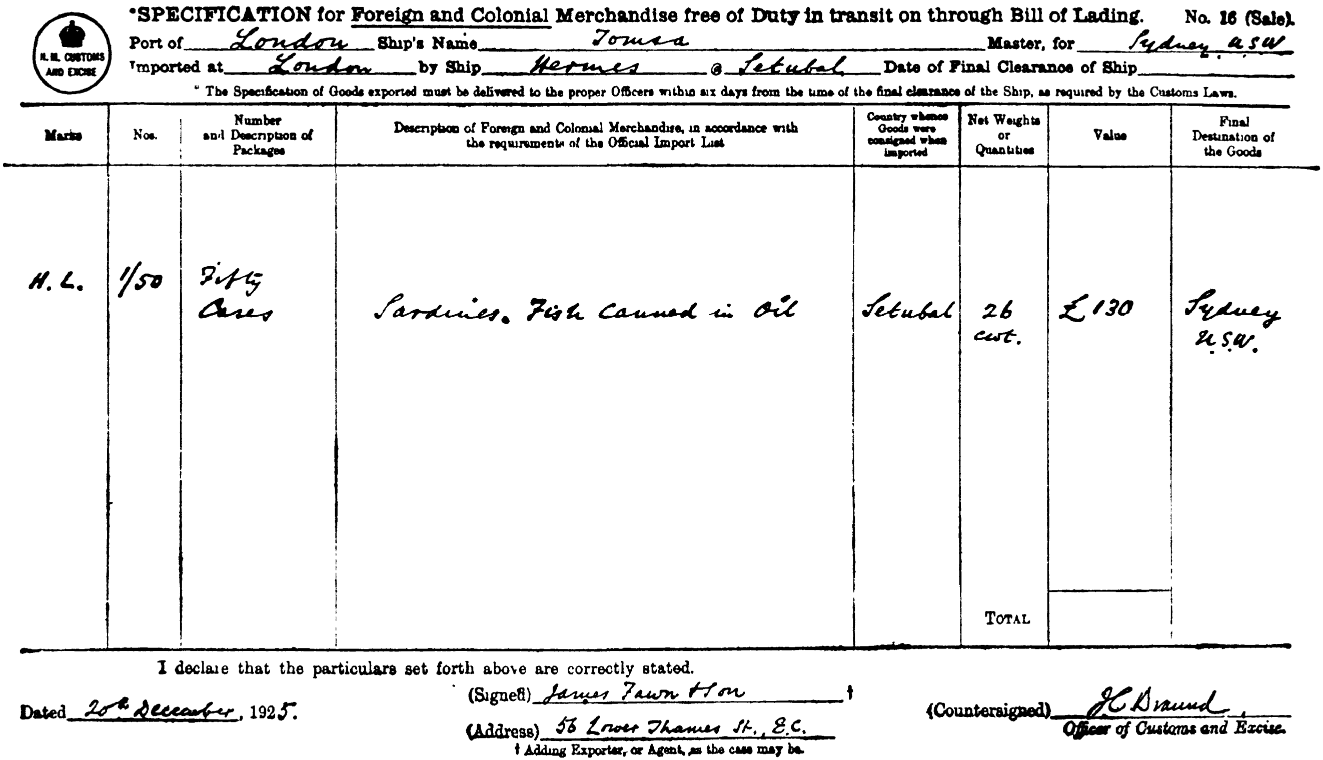
I enter the above Goods as free of Duty, and declare the above particulars to be true.

Dated this day of 192 }(Signed)

Importer or his Agent

C.C. Vol II., Part II., Par 14.

Sea. No. [illegible].



H. M. CUSTOMS AND EXCISE

***SPECIFICATION for Foreign and Colonial Merchandise free of Duty in transit on through Bill of Lading.** No. 16 (Sale).

Port of London Ship's Name Tomsa Master, for Sydney N.S.W.

Imported at London by Ship Hermes @ Setubal Date of Final Clearance of Ship

* The Specification of Goods exported must be delivered to the proper Officers within six days from the time of the final clearance of the Ship, as required by the Customs Laws.

Marks	Nos.	Number and Description of Packages	Description of Foreign and Colonial Merchandise, in accordance with the requirements of the Official Import List	Country whence Goods were consigned when imported	Net Weights or Quantities	Value	Final Destination of the Goods
H. L.	1/50	Fifty Cases	Sardines. Fish Canned in Oil	Setubal	26 cwt.	£130	Sydney N.S.W.
					TOTAL		

I declare that the particulars set forth above are correctly stated.

Dated 20th December, 1925.

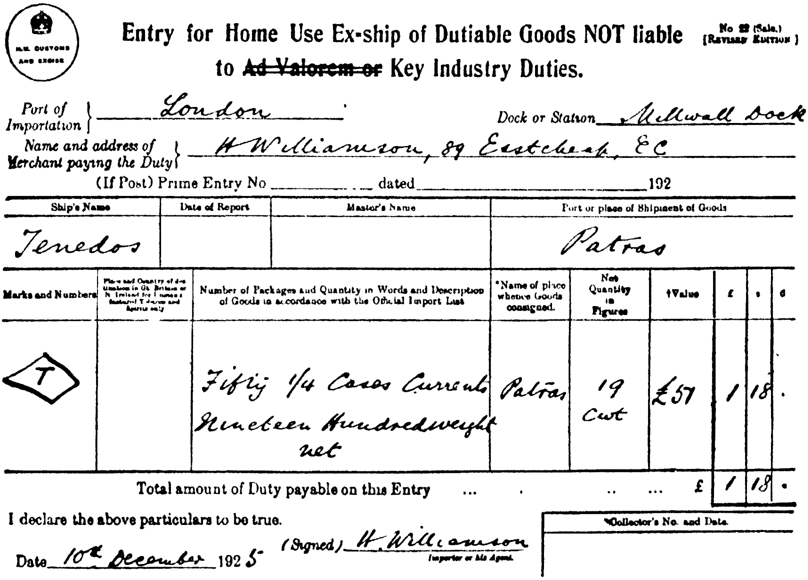
(Signed) James Tawn & Son †

(Address) 56 Lower Thames St., E.C.

† Adding Exporter, or Agent, as the case may be.

(Countersigned) J C Braund,

Officer of Customs and Excise.



H.M. CUSTOMS AND EXCISE

Entry for Home Use Ex-ship of Dutiable Goods NOT liable to ~~Ad Valorem or~~ Key Industry Duties.

No 22 (Sale.) (Revised Edition)

Port of Importation London

Dock or Station Millwall Dock

Name and address of Merchant paying the Duty H Williamson, 89 Eastcheap, EC

(If Post) Prime Entry No ________ dated ________ 192

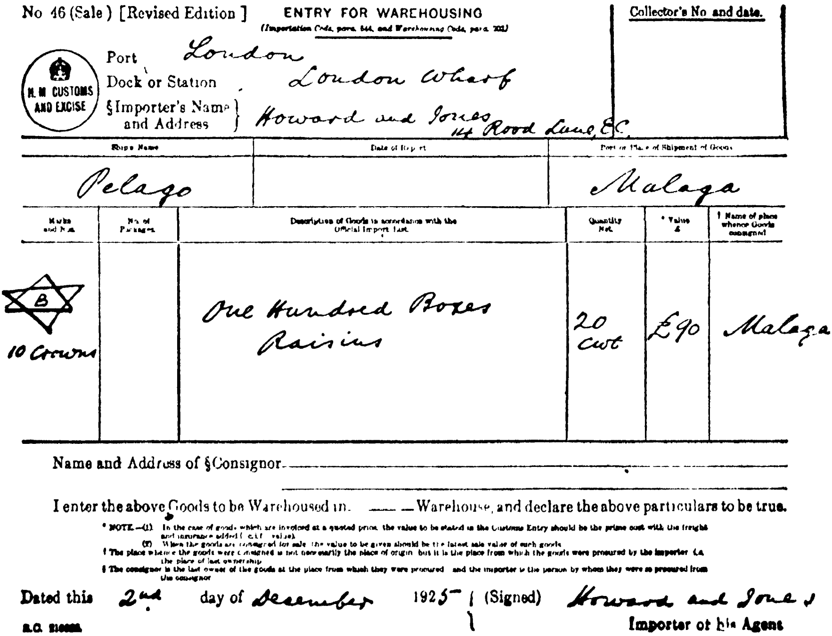
Ship's Name	Date of Report	Master's Name	Port or place of Shipment of Goods
Tenedos			Patras

Marks and Numbers	Place and Country of [illegible] in Gt. Britain or N. Ireland for [illegible] Tobacco and Spirits only	Number of Packages and Quantity in Words and Description of Goods in accordance with the Official Import List	*Name of place whence Goods consigned.	Net Quantity in Figures	†Value	£	s	d
T		Fifty 1/4 Cases Currants Nineteen Hundredweight net	Patras	19 cwt	£57	1	18	.
Total amount of Duty payable on this Entry						£ 1	18	.

I declare the above particulars to be true.

Date 10th December 1925 (Signed) H. Williamson
Importer or his Agent.

*Collector's No. and Date.



No 46 (Sale) [Revised Edition]

ENTRY FOR WAREHOUSING
(Importation Code, para. 544, and Warehousing Code, para. 201)

Collector's No and date.

H.M. CUSTOMS AND EXCISE

Port London

Dock or Station London Wharf

§Importer's Name and Address Howard and Jones 114 Rood Lane, EC.

Ships Name	Date of Report	Port or Place of Shipment of Goods
Pelago		Malaga

Marks and Nos.	No. of Packages	Description of Goods in accordance with the Official Import List	Quantity Net	* Value £	† Name of place whence Goods consigned
B 10 Crowns		One Hundred Boxes Raisins	20 cwt	£90	Malaga

Name and Address of §Consignor ________

I enter the above Goods to be Warehoused in ________ Warehouse, and declare the above particulars to be true.

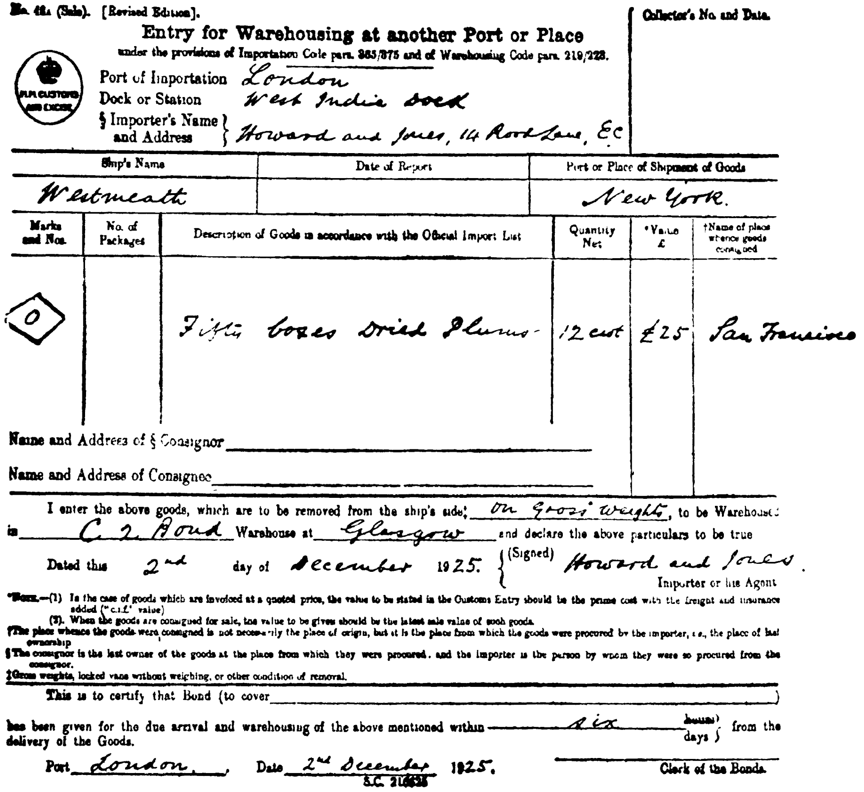
* NOTE.—(1) In the case of goods which are invoiced at a quoted price, the value to be stated in the Customs Entry should be the prime cost with the freight and insurance added (c.i.f. value).
(2) When the goods are consigned for sale, the value to be given should be the latest sale value of such goods.

† The place whence the goods were consigned is not necessarily the place of origin, but it is the place from which the goods were procured by the importer, i.e. the place of last ownership.

§ The consignor is the last owner of the goods at the place from which they were procured, and the importer is the person by whom they were so procured from the consignor.

Dated this 2nd day of December 1925 (Signed) Howard and Jones
Importer or his Agent

A.G. 21668



No. 44a (Sale). [Revised Edition].

Collector's No. and Date.

Entry for Warehousing at another Port or Place

under the provisions of Importation Code para. 365/375 and of Warehousing Code para. 219/228.

Port of Importation *London*
Dock or Station *West India Dock*
§ Importer's Name and Address } *Howard and Jones, 14 Rood Lane, EC*

Ship's Name	Date of Report	Port or Place of Shipment of Goods
Westmeath		*New York.*

Marks and Nos.	No. of Packages	Description of Goods in accordance with the Official Import List	Quantity Net	*Value £	†Name of place whence goods consigned
◇0		*Fifty boxes Dried Plums*	*12 cwt*	*£25*	*San Francisco*

Name and Address of § Consignor ________

Name and Address of Consignee ________

I enter the above goods, which are to be removed from the ship's side‡ *on Gross weight*, to be Warehoused in *C. 2 Bond* Warehouse at *Glasgow* and declare the above particulars to be true

Dated this *2nd* day of *December* 19*25.* (Signed) *Howard and Jones.*
Importer or his Agent

*Note.—(1) In the case of goods which are invoiced at a quoted price, the value to be stated in the Customs Entry should be the prime cost with the freight and insurance added ("c.i.f." value)

(2). When the goods are consigned for sale, the value to be given should be the latest sale value of such goods.

†The place whence the goods were consigned is not necessarily the place of origin, but it is the place from which the goods were procured by the importer, i.e., the place of last ownership

§ The consignor is the last owner of the goods at the place from which they were procured, and the importer is the person by whom they were so procured from the consignor.

‡ Gross weights, locked vans without weighing, or other condition of removal.

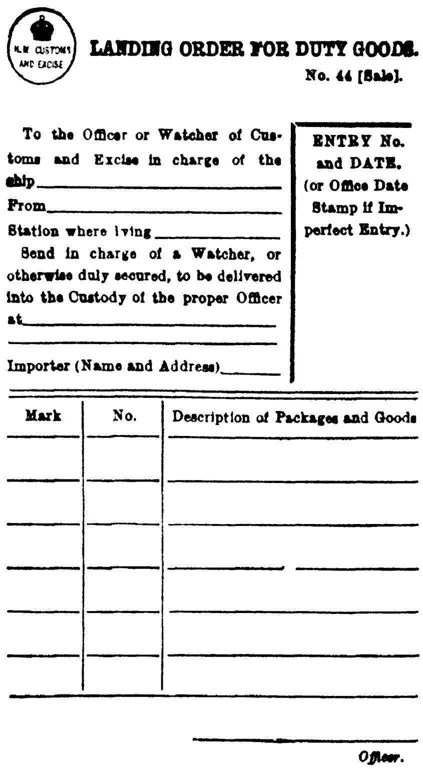
This is to certify that Bond (to cover ________)

has been given for the due arrival and warehousing of the above mentioned within *six* hours / days from the delivery of the Goods.

Port *London*, Date *2nd December* 1925.

Clerk of the Bonds.

S.C. 21[illegible]



LANDING ORDER FOR DUTY GOODS.

No. 44 [Sale].

To the Officer or Watcher of Customs and Excise in charge of the ship ________
From ________
Station where lying ________

Send in charge of a Watcher, or otherwise duly secured, to be delivered into the Custody of the proper Officer at ________

Importer (Name and Address) ________

ENTRY No. and DATE. (or Office Date Stamp if Imperfect Entry.)

Mark	No.	Description of Packages and Goods

Officer.

No. 51 (Sale).

TRANSHIPMENT DELIVERY ORDER.

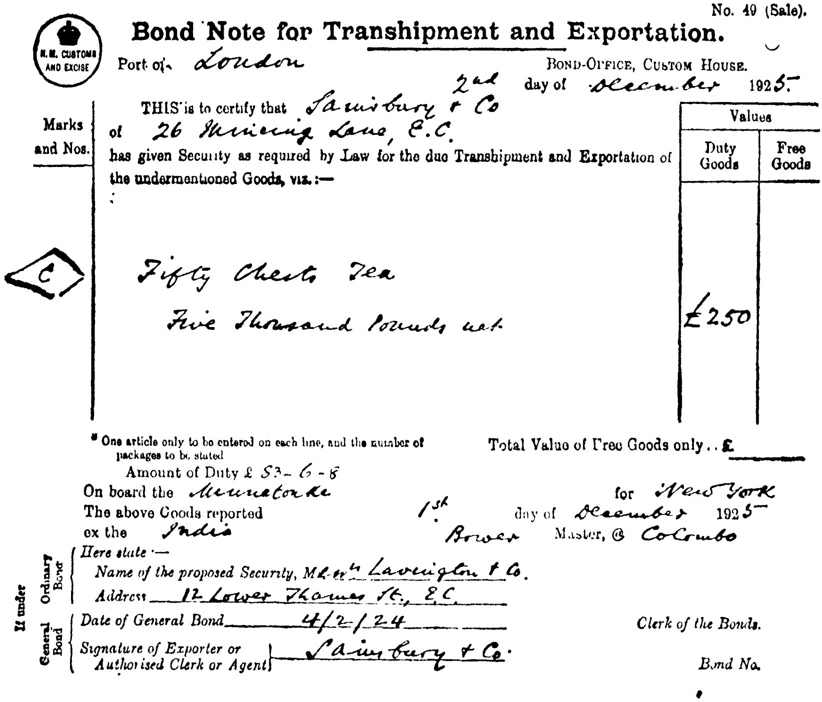
H. M. CUSTOMS AND EXCISE

CUSTOM HOUSE,
Export Branch, Long Room,
December 2 1925.

To the Officer of Customs and Excise on board the India Captain Bower

Send up in charge of an Officer of Customs and Excise to be delivered into the Custody of the proper Officers at Tilbury Dock

Mark	No.	For Transhipment only on board the Minnetonka for New York
C		Fifty Chests Tea 5000 lbs net. £250.



No. 49 (Sale).

H.M. CUSTOMS AND EXCISE

Bond Note for Transhipment and Exportation.

Port of London

BOND-OFFICE, CUSTOM HOUSE.

2nd day of December 1925

THIS is to certify that Sainsbury & Co

of 26 Mincing Lane, E.C.

has given Security as required by Law for the due Transhipment and Exportation of the undermentioned Goods, viz.:—

		Values	
Marks and Nos.		Duty Goods	Free Goods
C	Fifty Chests Tea Five Thousand Pounds net	£250	

* One article only to be entered on each line, and the number of packages to be stated

Total Value of Free Goods only .. £

Amount of Duty £ 53-6-8

On board the Minnetonka for New York

The above Goods reported 1st day of December 1925

ex the India Bower Master, @ Colombo

If under Ordinary Bond { Here state —
Name of the proposed Security, Messrs Lavington & Co.
Address 12 Lower Thames St, E.C.

If under General Bond { Date of General Bond 4/2/24
Signature of Exporter or Authorised Clerk or Agent } Sainsbury & Co.

Clerk of the Bonds.

Bond No.

TEST PAPER XII

1. Explain Customs Duty and Excise Duty.

2. What is Drawback ? When, how, and to whom is it paid ? Mention two different kinds of Drawback.

3. What is Pratique, and what steps are taken by Government to prevent infected ships communicating with the shore.

4. What steps are taken by Government to ensure that all imported dutiable goods shall be brought to account ?

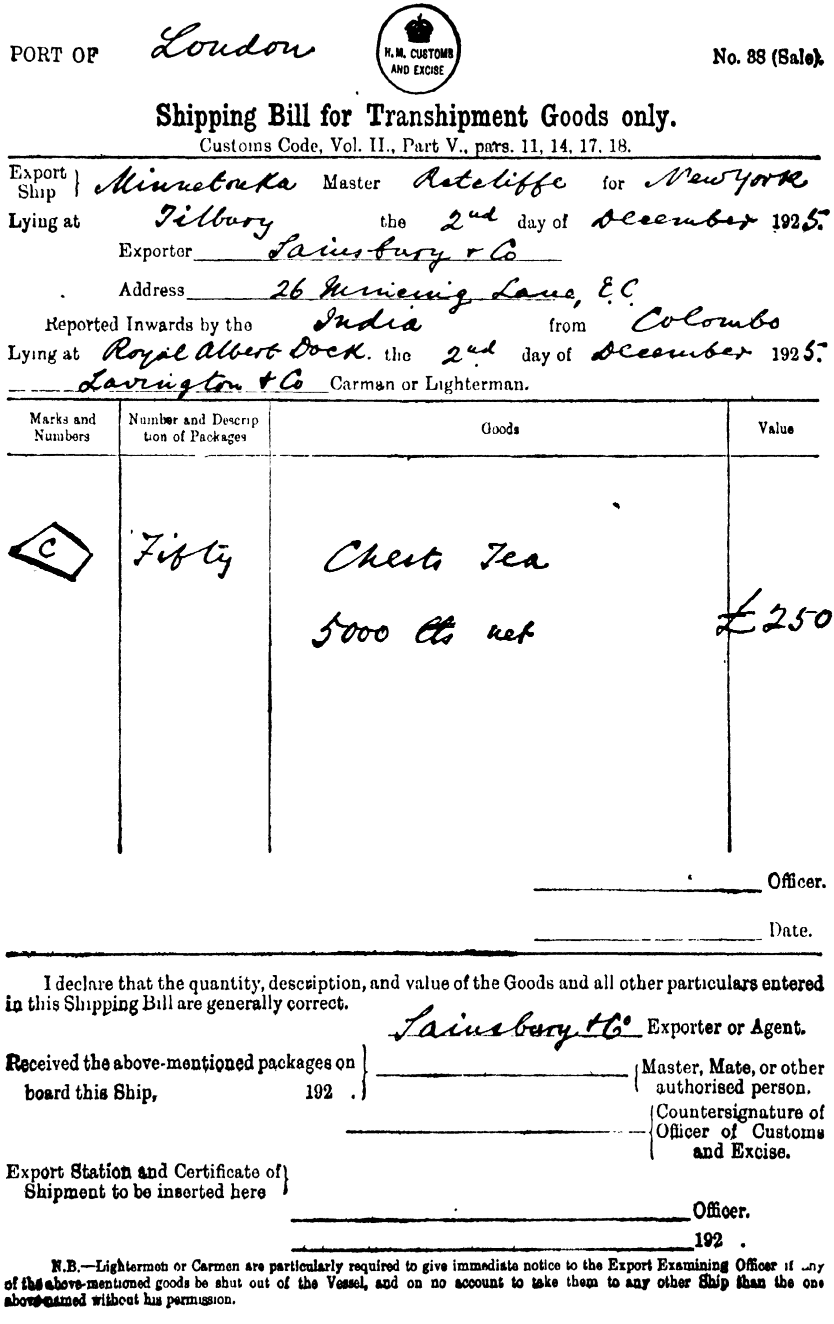
5. What is " Report ? " Explain " Rotation Numbers."

6. What is meant by the expression " Goods in bond " ? State what you know of the construction and management of Bonded Warehouses.

7. What are the advantages of Bonded Warehouses ?

8. Cable messages of twenty words each are sent to New York, Vancouver, Melbourne, Bombay, Cape Town. What are the respective charges ? (*N.U.T. Elem.*)

9. For what purposes are the following documents used ? " Home use ex-ship " ; " Entry for free goods " ; " Specification " ; " Consignment Note." (*N.U.T. Elem.*)



PORT OF London

No. 88 (Sale).

Shipping Bill for Transhipment Goods only.

Customs Code, Vol. II., Part V., pars. 11, 14, 17, 18.

Export Ship Minnetonka Master Ratcliffe for New York

Lying at Tilbury the 2nd day of December 1925.

Exporter Sainsbury & Co

Address 26 Mincing Lane, E.C

Reported Inwards by the India from Colombo

Lying at Royal Albert Dock. the 2nd day of December 1925.

Larrington & Co Carman or Lighterman.

Marks and Numbers	Number and Description of Packages	Goods	Value
C	Fifty	Chests Tea 5000 lbs net	£250

__________ Officer.

__________ Date.

I declare that the quantity, description, and value of the Goods and all other particulars entered in this Shipping Bill are generally correct.

Sainsbury & Co Exporter or Agent.

Received the above-mentioned packages on board this Ship, 192 . __________ Master, Mate, or other authorised person.

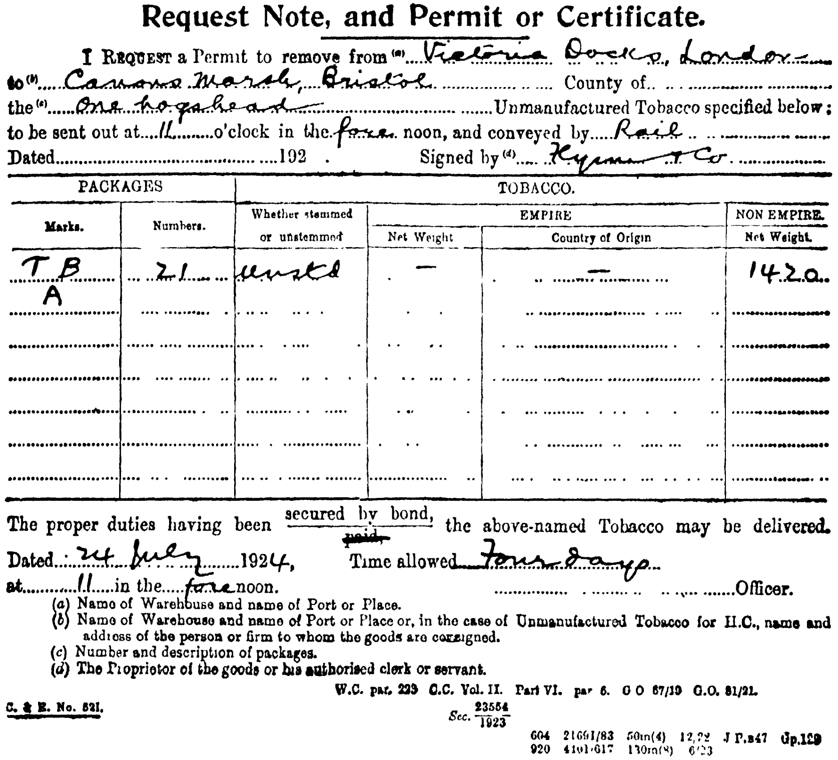
__________ Countersignature of Officer of Customs and Excise.

Export Station and Certificate of Shipment to be inserted here

__________ Officer.

__________ 192 .

N.B.—Lightermen or Carmen are particularly required to give immediate notice to the Export Examining Officer if any of the above-mentioned goods be shut out of the Vessel, and on no account to take them to any other Ship than the one above-named without his permission.



Request Note, and Permit or Certificate.

I REQUEST a Permit to remove from (a) Victoria Docks, London
to (b) Canons Marsh, Bristol County of
the (c) One hogshead Unmanufactured Tobacco specified below:
to be sent out at 11 o'clock in the fore noon, and conveyed by Rail
Dated 192 . Signed by (d) Hyman & Co.

PACKAGES		TOBACCO.			
			EMPIRE		NON EMPIRE.
Marks.	Numbers.	Whether stemmed or unstemmed	Net Weight	Country of Origin	Net Weight.
T B A	21	unstd	—	—	1420

The proper duties having been secured by bond, ~~paid~~ the above-named Tobacco may be delivered.
Dated 24 July 1924, Time allowed Four days
at 11 in the fore noon. Officer.

(a) Name of Warehouse and name of Port or Place.
(b) Name of Warehouse and name of Port or Place or, in the case of Unmanufactured Tobacco for H.C., name and address of the person or firm to whom the goods are consigned.
(c) Number and description of packages.
(d) The Proprietor of the goods or his authorised clerk or servant.

W.C. par. 223 C.C. Vol. II. Part VI. par 6. G O 67/19 G.O. 81/21.

C. & E. No. 521.

Sec. $\frac{23554}{1923}$

604 21691/83 50m(4) 12/22 J P.s47 Gp.129
920 4101/617 130m(8) 6/23

TEST PAPER XIII

1. Explain the procedure followed by Dock Companies when landing goods. What is a Dock Landing A/c and a Certificate of Survey ?

2. What are Custom House Bonds ? Who enter into these Bonds ? Distinguish between Ordinary and General Bonds.

3. Explain the procedure followed by a merchant when importing free goods. What is the Import and Export List ?

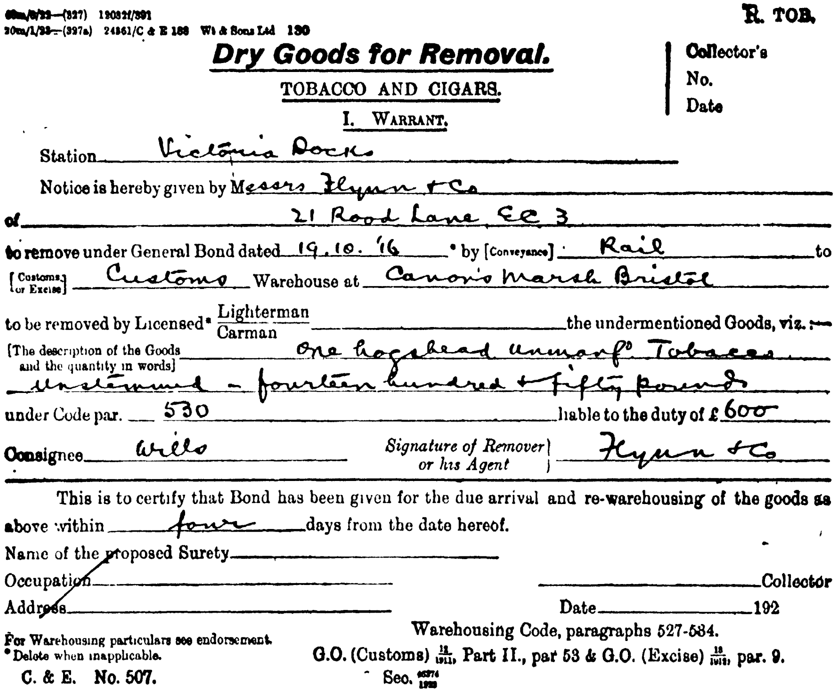
4. Explain the procedure followed when importing free goods for immediate re-export.

5. Explain the procedure followed when importing dutiable goods, delivery of which is taken at the ship's side. Explain Prime Entry What is a Post-entry and an Over-entry Certificate ?

6. Mention the various ways in which a letter may be sent by express service. Give details of one way. (*N.U.T. Elem.*)

7. How may compensation be obtained for the loss of an unregistered Inland parcel ? (*N.U.T. Elem.*)

8. Make out a delivery order. Do you know any other document similar to this ? If so, what difference is there between them ? (*N.U.T. Elem.*)



60m/8/22—(327) 120321/391
20m/1/23—(327a) 24361/C & E 188 Wt & Sons Ltd 130

R. TOB.

Collector's
No.
Date

Dry Goods for Removal.

TOBACCO AND CIGARS.

I. WARRANT.

Station Victoria Docks

Notice is hereby given by Messrs Flynn & Co

of 21 Rood Lane EC 3

to remove under General Bond dated 19. 10. '16 * by [Conveyance] Rail to

[Customs or Excise] Customs Warehouse at Canon's Marsh Bristol

to be removed by Licensed* Lighterman / Carman the undermentioned Goods, viz.:—

[The description of the Goods and the quantity in words] One hogshead unmanfᵈ Tobacco.
Unstemmed – fourteen hundred & fifty pounds

under Code par. 530 liable to the duty of £600

Consignee Wills

Signature of Remover or his Agent Flynn & Co

This is to certify that Bond has been given for the due arrival and re-warehousing of the goods as above within four days from the date hereof.

Name of the proposed Surety

Occupation

Address

Collector

Date 192

For Warehousing particulars see endorsement.
* Delete when inapplicable.

C. & E. No. 507.

Warehousing Code, paragraphs 527-584.
G.O. (Customs) $\frac{12}{1911}$, Part II., par 53 & G.O. (Excise) $\frac{18}{1913}$, par. 9.
Sec. $\frac{66374}{1920}$

TEST PAPER XIV

1. Explain procedure followed when importing dutiable goods warehoused at port of entry.

2. Explain procedure followed when importing dutiable goods warehoused at a port or place other than the port of entry.

3. What Customs forms are required when importing dutiable goods for immediate re-export to a British Colony?

4. What is a Customs Debenture? Why are certain kinds of carmen and lightermen called Licensed carmen or lightermen?

5. Where are damaged goods entered in the Dock Landing A/C?

6. What do you understand by the word "Market"? Give examples. (*N.U.T. Elem.*)

7. What postage is required for the following letters: (*a*) Dublin to Jersey, 1½ oz.; (*b*) London to Melbourne, ½ oz.; (*c*) Edinburgh to Calcutta, 1 oz.; (*d*) London to Washington, ½ oz. (*N.U.T. Elem.*)

8. What limits of weight and size are imposed in the case of parcels? What are the Inland P.P. rates? (*N.U.T. Elem.*)

9. What is the penalty for sending a letter unstamped or insufficiently stamped? (*N U.T. Elem.*)

[*Note* : This is the reverse side of the form on the previous page.]

R. TOB

Ledger No. Folio

Tobacco and Cigars for Removal.

Port or Collection________
Station________
Number________
Month and Year 192

Country whence goods were Consigned when imported U S A

Number and description of Packages and Goods One hogshead Tobacco

Register and folio	Landing or Warehouse Account (to be filled in by the Merchant)							Re examination				
	Bonder's Name Rotation Date	Marks and Numbers	Gross	Tare	Ties	Net	Sample	Gross	Delivery Weight	Loss	Increase	Warrant Book and Folio
	Smith & Son 28.4.'24 504	T B A 21	1452	32	—	1420	4					

________Officer.

________Date.

II. WAREHOUSEKEEPER'S ORDER.

To the Warehousekeeper at Victoria Docks
You may deliver for Removal to Bristol
the undermentioned Goods :—

Station Number
Month and Year 192

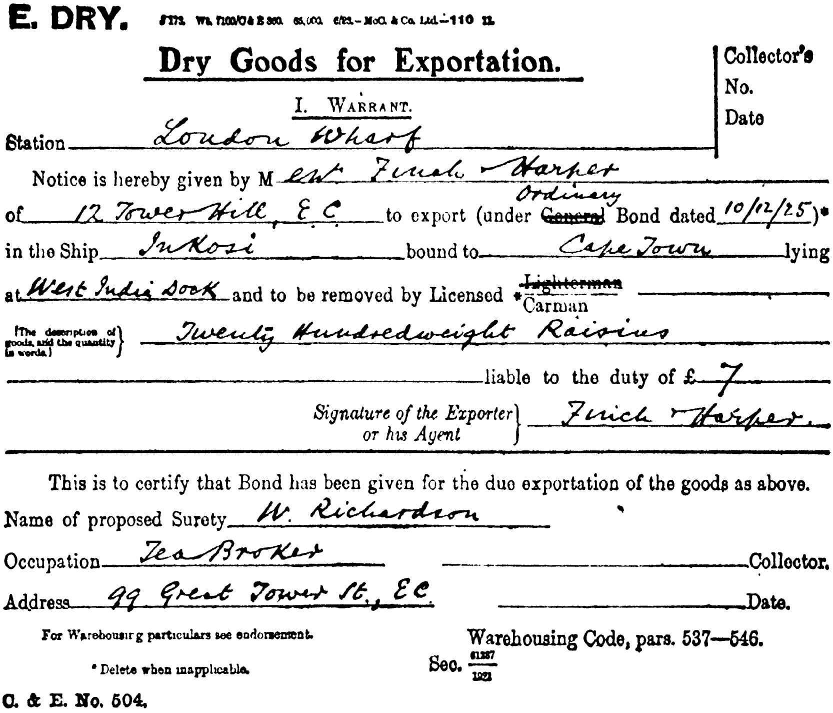
Remover Flynn & Co.

Number and Description of Packages and Goods in words	Bonder's Name	Rotation and Year	Import Marks and Numbers	Date of Delivery (to be filled in by Warehouse Keeper)
One hhd Tobacco	Smith & Son	28.4.'24 504	T B A 21	

THE ADDRESS OF THE CONSIGNEE is NOT to be written on the Official Card, nor is it to appear on any package delivered by virtue of this Order.

________Officer of Customs and Excise.

Date________



E. DRY. 5773. Wt. 7100/0 & B 300. 65,000. 6/23.–McC. & Co. Ltd.–110 12.

Dry Goods for Exportation.

Collector's
No.
Date

I. WARRANT.

Station London Wharf

Notice is hereby given by Messrs. Finch & Harper
of 12 Tower Hill, E.C. to export (under ~~General~~ Ordinary Bond dated 10/12/25)*
in the Ship Inkosi bound to Cape Town lying
at West India Dock and to be removed by Licensed *~~Lighterman~~ Carman
(The description of goods, and the quantity in words) Twenty Hundredweight Raisins
liable to the duty of £7

Signature of the Exporter or his Agent Finch & Harper.

This is to certify that Bond has been given for the due exportation of the goods as above.

Name of proposed Surety W. Richardson
Occupation Tea Broker ______ Collector.
Address 99 Great Tower St., E.C. ______ Date.

For Warehousing particulars see endorsement.

Warehousing Code, pars. 537—546.

* Delete when inapplicable.

Sec. $\frac{61287}{1921}$

C. & E. No. 504.

TEST PAPER XV

1. Explain the course followed by an Importer of Tobacco when removing Tobacco from one bonded warehouse to another.
2. What Customs forms are necessary when exporting dutiable goods which have previously been warehoused? Who usually stands surety when giving bond for the proper exportation of dutiable goods?
3. What is the procedure when exporting dutiable goods by Parcel Post?
4. Mention the two Post Office forms necessary when exporting goods by Parcel Post (*a*) to British possessions; (*b*) the majority of foreign countries.
5. Explain the following terms used in connection with bonded warehouses: Bulking, Gauging, Ullage, Break, Garbling, Overtakers.
6. Why are codes used in cabling or telegraphing messages? How would the following words and figures be counted: (*a*) St. John's; (*b*) Mance-Smythe; (*c*) a/604; (*d*) 2015¾? (*N.U.T. Elem.*)

[*Note*: This is the reverse side of the form on the previous page.]

E. DRY.

Ledger No. Folio

Dry Goods for Exportation.

Port or Collection
Station
Number
Month and Year 192 .

Country whence goods were consigned when imported: Malaga
Number and description of Packages and Goods: One Hundred Boxes Raisins
Final Destination of Goods: Cape Town.

Register and Folio	Landing or Warehouse Account (to be filled in by the Merchant)							Re examination				
	Ship and Customs Rotation and year, or date of Importation, and Bonder's name	Marks and Numbers	Gross	Tare	Net	Sample	Export Marks and Numbers	Gross	Delivery Weight	Loss	Increase	Warrant Book and Folio
	Pelago, 2/12/25 L. Ramirez Finch & Harper	B 10 Crowns	C 2a		C 19.2.16		P Cape Town 1/100					

Officer.

Value for Export, £ 56. 0. 0.

Date.

Station Number

II. Warehousekeeper's Order.

To the Warehousekeeper at London Wharf Month and Year 9/12 1925

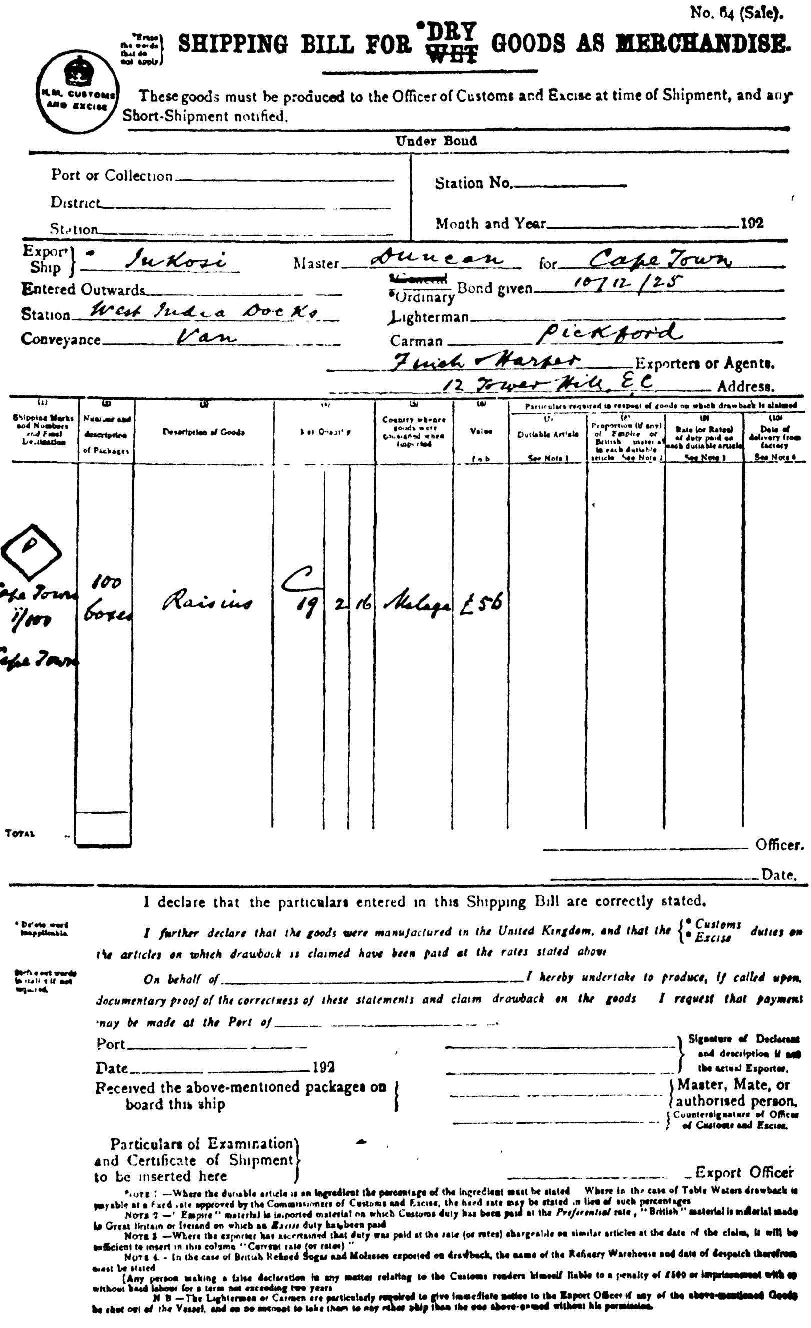
You may deliver for Exportation the undermentioned Goods.—

Finch & Harper Exporter.

Number and Description of Packages and Goods in words	Ship and Bonder's Name	Customs Rotation and Year or date of Importation	Import Marks and Numbers	Export Marks and Numbers	Date of Delivery (to be filled in by Warehousekeeper)
One Hundred Boxes Raisins	Pelago. Finch & Harper	2/12/25	B 10 Crowns	P Cape Town 1/100	

Officer of Customs and Excise.

Date



No. 64 (Sale).

*Erase the words that do not apply

H.M. CUSTOMS AND EXCISE

SHIPPING BILL FOR *DRY ~~WET~~ GOODS AS MERCHANDISE.

These goods must be produced to the Officer of Customs and Excise at time of Shipment, and any Short-Shipment notified.

Under Bond

Port or Collection ________

District ________

Station ________

Station No. ________

Month and Year ________ 192

Export Ship * Inkosi Master Duncan for Cape Town

Entered Outwards ________ ~~General~~ *Ordinary Bond given 107 12/25

Station West India Docks Lighterman ________

Conveyance Van Carman Pickford

Finch & Harper Exporters or Agents.

12 Tower Hill, E.C. Address.

(1)	(2)	(3)	(4)			(5)	(6)	Particulars required in respect of goods on which drawback is claimed			
Shipping Marks and Numbers and Final Destination	Number and description of Packages	Description of Goods	Net Quantity			Country whence goods were consigned when imported	Value f.o.b.	(7) Dutiable Article See Note 1	(8) Proportion (if any) of Empire or British material in each dutiable article See Note 2	(9) Rate (or Rates) of duty paid on each dutiable article See Note 3	(10) Date of delivery from factory See Note 4
◇P Cape Town 1/100 Cape Town	100 boxes	Raisins	C 19	2	16	Malaga	£56				
TOTAL ..											

________ Officer.

________ Date.

I declare that the particulars entered in this Shipping Bill are correctly stated.

* Delete word inapplicable.

I further declare that the goods were manufactured in the United Kingdom, and that the {*Customs *Excise} *duties on the articles on which drawback is claimed have been paid at the rates stated above*

Strike out words in italics if not required.

On behalf of ________ I hereby undertake to produce, if called upon, documentary proof of the correctness of these statements and claim drawback on the goods I request that payment may be made at the Port of ________.

Port ________ ________ } Signature of Declarant and description if not the actual Exporter.

Date ________ 192 ________

Received the above-mentioned packages on board this ship } ________ } Master, Mate, or authorised person.

________ } Countersignature of Officer of Customs and Excise.

Particulars of Examination and Certificate of Shipment to be inserted here } ________ Export Officer

NOTE 1 —Where the dutiable article is an ingredient the percentage of the ingredient must be stated Where in the case of Table Waters drawback is payable at a fixed rate approved by the Commissioners of Customs and Excise, the fixed rate may be stated in lieu of such percentages

NOTE 2 —"Empire" material is imported material on which Customs duty has been paid at the *Preferential* rate, "British" material is material made in Great Britain or Ireland on which an *Excise* duty has been paid

NOTE 3 —Where the exporter has ascertained that duty was paid at the rate (or rates) chargeable on similar articles at the date of the claim, it will be sufficient to insert in this column "Current rate (or rates)"

NOTE 4. - In the case of British Refined Sugar and Molasses exported on drawback, the name of the Refinery Warehouse and date of despatch therefrom must be stated

(Any person making a false declaration in any matter relating to the Customs renders himself liable to a penalty of £500 or imprisonment with or without hard labour for a term not exceeding two years

N B —The Lightermen or Carmen are particularly required to give immediate notice to the Export Officer if any of the above-mentioned Goods be shut out of the Vessel, and on no account to take them to any other ship than the one above-named without his permission.

Bond for Exportation,

Know all Men by these presents that We *Finch and Harper of 12 Tower Hill and William Richardson of 19 Great Tower Street both places in the City of London* are held and firmly bound unto our Sovereign Lord GEORGE THE FIFTH by the Grace of God of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas King Defender of the Faith in the sum of *Twenty* pounds to be paid to our said Lord the King His Heirs or Successors for which payment well and truly to be made we bind ourselves and each of us jointly and severally firmly by these presents. Sealed with our Seals.

Dated this *10th* day of *December* in the Year of our Lord One thousand nine hundred and *Twenty Five*

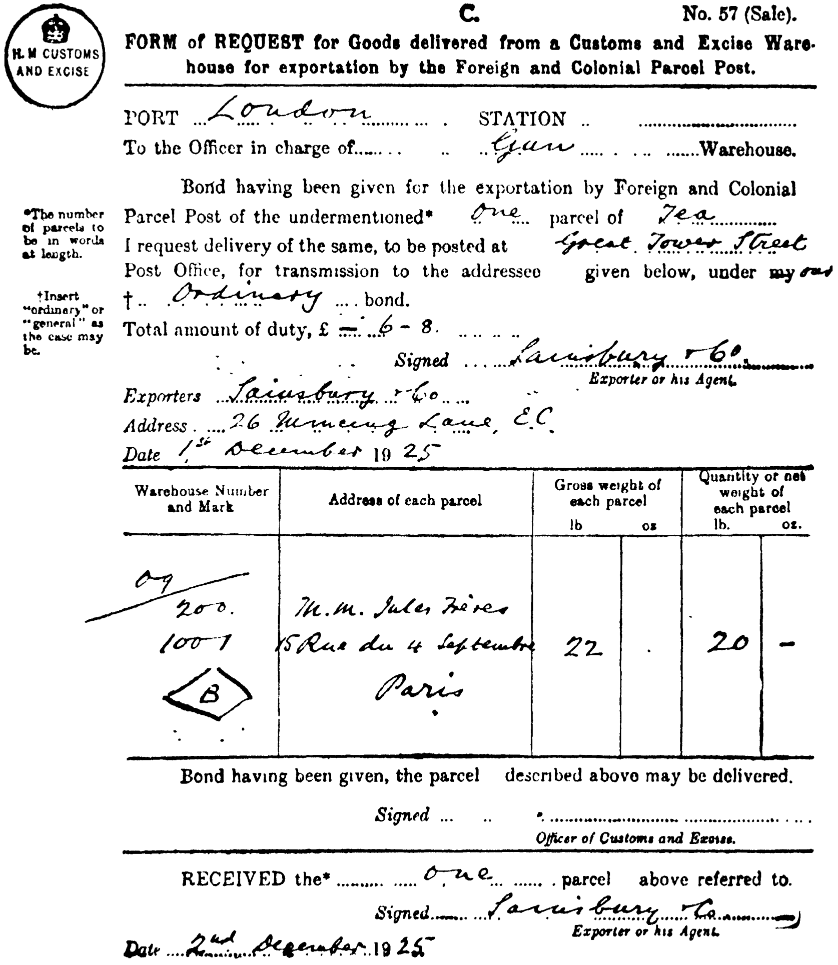
WHEREAS the Goods hereinafter specified, that is to say: *Twenty Hundredweight Raisins* are now deposited in a Warehouse or place approved by the Commissioners of Customs and Excise at *London Wharf*

AND WHEREAS the above bounden *Finch & Harper* has by a Memorandum in writing dated the *9th* day of *December* 192*5*. and numbered given notice of his intention to remove the said Goods from the said Warehouse or place for the purpose of their being exported as Merchandise from the Port of *London*

NOW THE CONDITION of the above-written Bond is such that if the said Goods and every part thereof shall within the time allowed by the proper Officer of Customs and Excise be duly removed and shipped without alteration or diminution on board the proper Ship at the Port aforesaid or at such other Port as may be duly substituted therefor and shall be produced to the proper Officer of Customs and Excise there and shall be exported to and shall be landed at the place named in the said Memorandum. And if in case the said Commissioners shall require it proof to their satisfaction shall within such time as they shall allow be produced from *Cape Town* of such landing there of the said goods or if the said Goods though not shipped or not landed shall otherwise be accounted for to the satisfaction of the said Commissioners Then the above-written Bond shall be void or else shall remain in full force.

Signed Sealed and Delivered by the above bounden — *Finch & Harper* ○

in the presence of — *W. Richardson* ○



H.M CUSTOMS AND EXCISE

C.

No. 57 (Sale).

FORM of REQUEST for Goods delivered from a Customs and Excise Warehouse for exportation by the Foreign and Colonial Parcel Post.

PORT London STATION ....

To the Officer in charge of Gun Warehouse.

Bond having been given for the exportation by Foreign and Colonial Parcel Post of the undermentioned* One parcel of Tea I request delivery of the same, to be posted at Great Tower Street Post Office, for transmission to the addressee given below, under ~~my~~ our † Ordinary bond.

*The number of parcels to be in words at length.

†Insert "ordinary" or "general" as the case may be.

Total amount of duty, £ – 6 – 8.

Signed Sainsbury & Co.
Exporter or his Agent.

Exporters Sainsbury & Co.

Address 26 Mincing Lane, E.C.

Date 1st December 1925

Warehouse Number and Mark	Address of each parcel	Gross weight of each parcel lb	oz	Quantity or net weight of each parcel lb.	oz.
07 200. 1001 B	M.M. Jules Frères 15 Rue du 4 Septembre Paris	22	.	20	–

Bond having been given, the parcel described above may be delivered.

Signed ....
Officer of Customs and Excise.

RECEIVED the* One parcel above referred to.

Signed Sainsbury & Co.
Exporter or his Agent.

Date 2nd December 1925

H M CUSTOMS AND EXCISE

D.

No. 58 (Sale).

CERTIFICATE of Posting of Goods delivered from a Customs and Excise Warehouse for exportation by the Foreign and Colonial Parcel Post.

(a) Delete the word that does not apply.

The parcel described below has ~~(have)~~[a] been delivered from Gun Bonded Warehouse for exportation by Foreign and Colonial Parcel Post, on a request from Sainsbury & Co dated 1st December 1925.

Signed ______________________
Officer of Customs and Excise.

STAMP.

Date December 2 1925.

Warehouse Number and Mark.	Address of each parcel.	Gross weight of each parcel		Net weight of each parcel	
		lbs.	ozs.	lbs.	ozs.
C 9 200 1001. B	Mm Jules Frères 15 Rue du 4 Septembre Paris	22	—	20	—

(b) The number of parcels to be in words at length

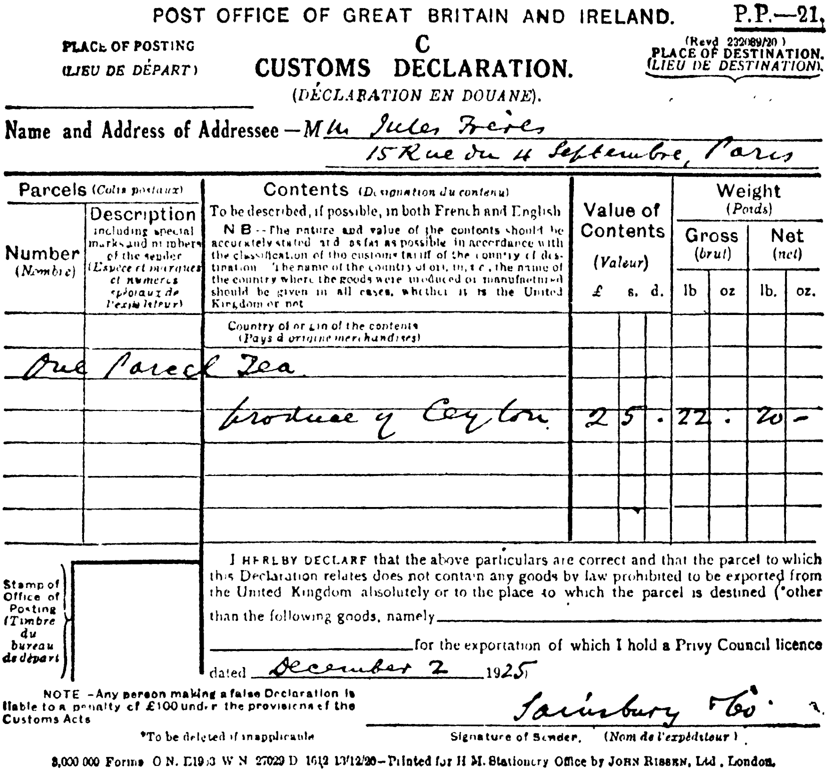
(c) Delete if not applicable

(b) One. parcel, ~~(each)~~ bearing the mark, number, address and signature as above, with the Revenue seal (on the outer receptacle or containing package)[c] intact, the approved label (Exported duty free from bond) attached, and of the gross weight given above, (has)[c] ~~(have)~~[c] this day been posted.

POST OFFICE DATE STAMP.

Signed ______________________
Officer of Post Office.

Note.—In case the seal or label on any parcel appears to have been tampered with, or the gross weight does not agree with that given in the Certificate of the Customs and Excise Officer, the parcel should not be accepted. Parcels of tea for exportation to the United States of America need not be separately sealed provided that they are removed for posting in a sealed outer receptacle or containing package.



POST OFFICE OF GREAT BRITAIN AND IRELAND. **P.P.—21.**
(Revd 232089/20)

PLACE OF POSTING
(LIEU DE DÉPART)

C
CUSTOMS DECLARATION.
(*DÉCLARATION EN DOUANE*).

PLACE OF DESTINATION.
(*LIEU DE DESTINATION*).

Name and Address of Addressee—M M Jules Frères
15 Rue du 4 Septembre, Paris

Parcels (*Colis postaux*)		Contents (*Désignation du contenu*)	Value of Contents (*Valeur*)			Weight (*Poids*)			
Number (*Nombre*)	Description including special marks and numbers of the sender (*Espèce et marques et numeros spéciaux de l'expéditeur*)	To be described, if possible, in both French and English N B—The nature and value of the contents should be accurately stated and as far as possible in accordance with the classification of the customs tariff of the country of destination. The name of the country of origin, i.e., the name of the country where the goods were produced or manufactured should be given in all cases, whether it is the United Kingdom or not				Gross (*brut*)		Net (*net*)	
			£	s.	d.	lb	oz	lb.	oz.
		Country of origin of the contents (*Pays d'origine merchandises*)							
One	Parcel	Tea							
		produce of Ceylon	2	5	·	22	·	20	–

Stamp of Office of Posting (*Timbre du bureau de départ*)

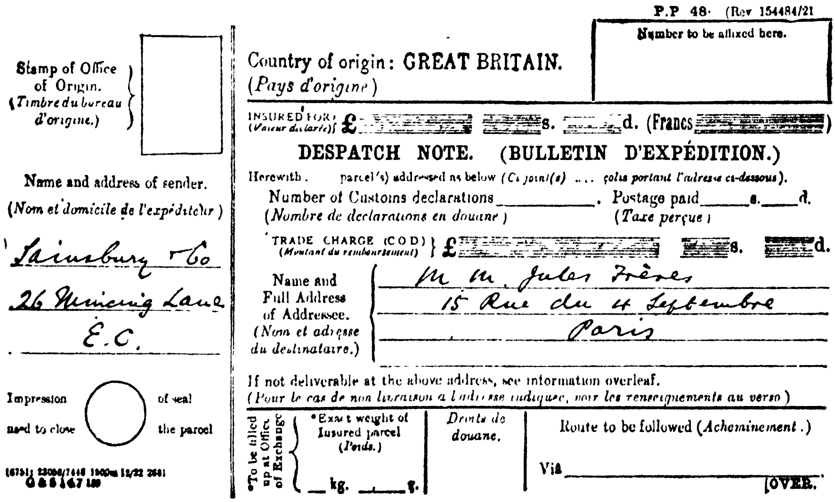
I HEREBY DECLARE that the above particulars are correct and that the parcel to which this Declaration relates does not contain any goods by law prohibited to be exported from the United Kingdom absolutely or to the place to which the parcel is destined (*other than the following goods, namely ________________ for the exportation of which I hold a Privy Council licence dated December 2 1925

NOTE.—Any person making a false Declaration is liable to a penalty of £100 under the provisions of the Customs Acts

Sainsbury & Co.
Signature of Sender. (*Nom de l'expéditeur*)

*To be deleted if inapplicable

3,000,000 Forms O N. E1953 W N 27029 D 1612 13/12/20—Printed for H M. Stationery Office by JOHN RISSEN, Ltd., London.



P.P 48. (Rev 154484/21

Number to be affixed here.

Stamp of Office of Origin. (*Timbre du bureau d'origine.*)

Country of origin: GREAT BRITAIN.
(*Pays d'origine*)

INSURED FOR (*Valeur declarée*) £____ s. ____ d. (Francs ____)

DESPATCH NOTE. (BULLETIN D'EXPÉDITION.)

Herewith . parcel(s) addressed as below (*Ci joint(s) .... colis portant l'adresse ci-dessous*).

Number of Customs declarations ______. Postage paid ____ s. ____ d.
(*Nombre de declarations en douane*) (*Taxe perçue*)

TRADE CHARGE (C O D) (*Montant du remboursement*) £____ s. ____ d.

Name and address of sender. (*Nom et domicile de l'expéditeur*)

Sainsbury & Co
26 Mincing Lane
E.C.

Name and Full Address of Addressee. (*Nom et adresse du destinataire.*)

M M Jules Frères
15 Rue du 4 Septembre
Paris

If not deliverable at the above address, see information overleaf.
(*Pour le cas de non livraison a l'adresse indiquee, voir les renseignements au verso*)

Impression of seal used to close the parcel

To be filled up at Office of Exchange: *Exact weight of Insured parcel (*Poids.*) __ kg. ___ g.

Droits de douane.

Route to be followed (*Acheminement.*)
Viâ ____________

[OVER.

16751) 23006/7446 1900m 12/22 2661
G & S 167 180

CUSTOMS AND EXCISE

No 21 (Sale).
[REVISED EDITION.]

BILL OF SIGHT.

Port of Dock or Station

Importer's Name and Address

Ship's Name	Rotation No.	Date of Report	Port or Place of shipment of Goods

Marks and Numbers	Number of Packages, with the best Description of the Goods the Importer is able to give

I, the Importer, or Agent of the Importer of the Goods above mentioned, do hereby declare that I have not (or that to the best of my knowledge he has not) received sufficient Invoice, Bill of Lading, or other advice from whence the Quality, Quantity, or Value of the Goods above mentioned can be ascertained.

Dated this **day of** **192**

(Signed) ________________
Importer or his Agent.

(Signed) ________________
Collector.

To the Surveyor

Sir,

I request an extension of time from
to **in order**
to perfect sight.

pro ________________

Granted.

________________ Surveyor.

No. 53 (Sale). [Revised Edition.]

H. M. CUSTOMS AND EXCISE

Request to Land Perishable Goods.

TO THE SURVEYOR OR OFFICER AT____________________________________

I/We request that the undermentioned articles, being of a perishable nature, may be landed from the Ship__________________________, ____________________________Master, @________________________overside, or at____________________________Wharf, and, if found correct after examination, delivered out of official charge. A perfect entry will be passed within three days after examination.

Marks and Numbers	Number of Packages and Description of Goods	Observations

Dated this day of 192

Signed Importer or Agent.

This request is granted on condition that if the importing Vessel is not lying alongside the Quay or Wharf above named, the Goods will be removed thereto by Craft in charge of an Officer, the Crown being put to no additional expense.

Officer or Surveyor.

Dated 192

H. M. CUSTOMS AND EXCISE

REQUEST TO EXAMINE.

BULLION—COIN—DIAMONDS.

No. 55 (Sale).

Port of

Ship's Name	Master's Name.	Date of Report.	Port or Place of Shipment.

No of Packages	DESCRIPTION OF GOODS	Ozs Troy	Value. £	Name of place whence goods consigned *
	Gold Bullion, Unrefined, in dust, amalgam (*i. e.* lumps), and bars			
	„ Bullion, Refined, in bars			
	„ Coin of legal tender in the United Kingdom			
	„ Coin not of legal tender in the United Kingdom			
	Silver, Bullion			
	„ Coin of legal tender in the United Kingdom			
	„ Coin not of legal tender in the United Kingdom			
	Diamonds	Carats		

I declare the above particulars to be true, and request to have the packages cleared.

Dated this 191 . (Signed)

Importer or his Agent.

Examined and cleared packages as stated above.

Bill of Lading produced.

Officer of Customs and Excise

Test Paper XVI

1. What is a Bill of Sight, and when is it necessary ?
2. Explain "Clearance Inwards" and "Clearance Outwards."
3. State what you know of the Port of London.
4. What are the duties of a Jerquer ?
5. Explain what is meant by the expression "Free Trade country."
6. Mention some of the methods adopted by Protected countries to foster trade.
7. Explain Ad valorem Duty and Specific Duty.
8. What is meant by a Tariff ? What do you understand by the expression, "Most-favoured-nation-clause" ?
9. Explain what is meant by "Preference."
10. What are the functions of the Middleman ? Do you think it desirable and possible to do away with him ? (*N.U.T. Int.*)
11. How is the Board of Trade able to make up its returns ? (*N.U.T. Int.*)

DEBENTURE for British Roasted Coffee or for Foreign Beer exported as Merchandise.

Port of__________ No.________

THIS IS TO CERTIFY that________________of________________ did enter, on the dates specified below, to be shipped on board the Vessels named, the undermentioned quantities of________________ in respect of which Bond has been taken as directed; and that satisfactory evidence of the shipment of the Goods has been produced.

________________ {Collector, or Surveyor, or Accountant-General's Officer.

________________ Export Officer.

DECLARATION:

(*NOTE.—Any person making a false declaration in any matter relating to the Customs renders himself liable to a penalty of £500 under the Customs Law.*)

I________________

____

do hereby declare that the Goods specified in this Debenture have been actually exported as Merchandise, and have not been relanded, and are not intended to be relanded in any part of the United Kingdom, and that

____

____

at the time of entry and exportation w______ and continue______to be entitled to the Drawback thereon. Also that duty at the rate of___s.___d. per barrel was paid on the__________19____, in respect of the beer so shipped.

____
(*Signature.*)

Signed and declared this______day of__________192____in the presence of

____
(*Signature.*)

____

____
(*Address.*)

____
(*Occupation.*)

The declaration must be properly completed before payment can be made.

Ship	Destination	No. and Date of Shipping Bill	Date of Shipment†	Quantity entered	Quantity entitled to Drawback	Amount of Drawback		
						£	s	d
					TOTAL			

The Drawback on the Goods above specified amounts to________________pounds, ____________shillings and____________pence.

Date Stamp.

________________ Collector.

* RECEIVED this________day of____________192____, of the Commissioners of His Majesty's Customs and Excise, the sum of________________pounds,________shillings and____________pence, in full discharge of this Debenture.

*________________

* This receipt is not to be signed if it is desired that the amount due shall be remitted through the Post.

† Payment of drawback cannot be made after the expiration of two years from the date of shipment of the goods.

No. 269. Exp. Code, para. 151, 157 & 158. Sec. [illegible]

TEST PAPER XVII

1. Taking a loco price as a basis name what additions would be required to make this into (*a*) a C.I.F. price; (*b*) a Franco price? (*Lancs. and Ches. Union Senior.*)

2. What do you understand by a "Common Carrier"? Under what circumstances is a common carrier liable for damage to, or loss of, goods? (*N.U.T.*)

3. What is an Agent? Discuss his powers. (*N.U.T. Advanced.*)

4. Make out as full a list as you can of the Excise Duties. For what purposes are these duties charged? (*N.U.T. Elem*)

TEST PAPER XVIII

1. Make out an A/S for 100 bales Wool from Trumper and Waddy, Sydney, per s.s. *Southern Cross*, sold in London by Hutchinson and Bar @ 6¼*d*. per lb. Gross weight, 385 cwts. 1 qr. 10 lbs.; tare and draft, 15 cwts. 1 qr. 13 lbs. The charges payable are freight ⅝*d*. per lb. on gross weight and primage 5%. Fire Insce. on £1150 at ⅛%. Dock dues, £16 15*s*. Sale expenses, 31*s*. 6*d*. Brokerage, ½%. Commission 2½%. Due date May 20, 1908. (*West Riding C.C. Adv.*)

2. Explain briefly the difference between Customs and Excise Duties. (*West Riding C.C. Adv.*)

3. What formalities would have to be observed before you could take delivery of a consignment of currants ex *Chloe*, Patras to London. (*West Riding C.C. Adv.*)

TEST PAPER XIX

1. Distinguish between revenue duties and protective duties. Can a duty furnish both revenue and protection at the same time? What are (*a*) specific, (*b*) ad valorem, duties? (*N.U.T. Inter.*)

2. What are Bounties? With what object are they offered? What effects do they produce, (*a*) at home; (*b*) abroad? (*N.U.T. Inter.*)

3. Of what use is Drawback? State two ways in which Drawback may be paid. (*N.U.T. Inter.*)

TEST PAPER XX

1. Make out an export invoice from the following particulars: Sellers—Southey and Co., Sheffield; Shipping Agents—Cookes and Burrell, Liverpool; Buyers—Sleaford and Co., Durban, Natal. One case, 3′ 6″ × 4′ 9″ × 3′ 3″, marked "S. & Co. in a triangle, 126 Durban," containing: 6 Silver Flasks, 7″ @ £1 8*s*. 6*d*. each; 6 Solid Leather Holster Cases, large, @ 13*s*. each; 6 doz. Silver Coffee Spoons, No. 8342, @ £2 18*s*. 6*d*. per doz.; 3 Mahogany Canteen Cabinets (105 pieces) @ £4 12*s*. each; 1 doz. 3-bottle E.P.N.S. Lunch Cruets, No. 86, @ 13*s*. 6*d*. each; 1 E.P.N.S. Syphon Stand, No. 21561, @ £3 1*s*.; 1 Afternoon Tea Set, Plain, No. K. 146, @£2 15s.; Less 15% trade discount; charges: Freight, £2 8*s*. ton meast., plus 10% primage; carriage, 8*s*. 6*d*.; dock charges and B/L, 4*s*.; insurance, 10% above invoice value @ 10*s*. 6*d*.% plus stamp; per *Star of Africa*. (*West Riding C.C. Inter.*)

TEST PAPER XXI

1. Refer to James Finch and Son's invoice on p. 185 and quote a C.I.F. price for each of the lines charged out. N.B.—The two lines where the price is the price per dozen are to be taken as two pairs and three pairs respectively.

2. Make out an invoice franco Paris for the goods referred to in question 1, assuming that the extra charges are those stated at the foot of the invoice, and that an import duty of 25% is payable on the net value of the goods. £1 × Fcs. 80.

3. Quote a C. & F. price for the goods referred to in the previous questions.

4. Assume that you trade in Auckland, N.Z., under the style of Burrows and Co. and that you have received a price-list from Wright and Mains of London, with whom you propose to place an order. Make out an indent of six lines, giving shipping instructions, etc., and make it look as much like the real thing as possible. N.B.—The goods may be any goods with which you are familiar.

5. You are Daniels and Co. of Wolverhampton. Write a letter to Arthur Wellstead Bros., Leeds, ordering the following goods, or if you prefer it rule a specimen order form and enter the goods thereon.

4 Angle Brackets 1½" shaft, No. 19 @ 9*s*. each.
8 Open Side Hangers, 2" „ „ 25 @ 41*s*. 3*d*. each.
4 Ditto 3" „ „ 28 @ 50*s*. each.
4 Double Side ditto 1¼" „ „ 52 @ 25*s*. each.
3 Prs. Flanged Couplings, 2½" „ 39 @ 10*s*. 6*d*. per pr.

6. Write a letter to Arthur Wellstead Bros., Leeds, stating that you are returning the 5 prs. Flanged Couplings sent by them on March 26 last, as you ordered 1½" couplings, whereas they have sent 2½". State that you have been much inconvenienced by the mistake as they were to be used for a job taken on a time contract and you will now have to work overtime to complete.

7. Prepare invoice for the following, deducting 12½% trade discount, and indicating that a settlement discount of 2½% will be allowed if paid within 7 days. Sellers: Robert Cocks and Co., 15 Giltspur St., London, E.C. Buyers: The Secretary, Mining and Technical College, Wigan. 20 reams Double Foolscap ruled feint @ 4*s*. per rm.; 6 gross Imperial Exercise Books @ 1*s*. 4*d*. per doz.; 144 gross Steel Pens @ 1*s*. 3*d*. per gross; 50 gross H.B. Lead Pencils @ 8*s*. 6*d*. per gross.

8. Make out a statement from James Hooper and Co.'s ledger.

Qtly. 2½ per cent. PARFITT & CO., 61 DALE ST., LIVERPOOL.

1935.		£	s.	d.	1935.		£	s.	d.
Jan. 1	To Balance B/F .	12	9	10	Jan. 5	By Cash . .	12	3	7
„ 7	„ Goods . .	8	7	6	„ 5	„ Discount . .		6	3
„ 15	„ „ . .	10	5	4	Feb. 18	„ Returns . .	2	7	0
„ 28	„ „ . .		19	2	„ 28	„ Overcharge .		5	2
Feb. 17	„ „ . .	1	8	7					
„ 25	„ „ . .	13	5	3					
Mch. 12	„ „ . .	3	5	8					
„ 28	„ „ . .	1	7	10					

9. The returns £2 7*s*. credited on Feb. 18 were for 9 prs. 6907 Girls' Tan Boots @ 5*s*. 6*d*., less 5% trade discount. Show the Debit Note Parfitt would send to Hooper and Co. and the Credit Note Hooper and Co. would send to Parfitt.

CHAPTER XIII

RAILWAYS: TRADE ROUTES: CANALS

THERE are now about 23,000 miles of railways open in the United Kingdom, and the total capital involved is over eleven hundred million pounds. The total traffic receipts in 1930 amounted to over £180,000,000, and the total railway traffic expenditure to nearly £147,600,000. These figures show a startling decrease when compared with those, say, of ten years ago.

The railway companies in Great Britain have, in pursuance of the Railways Act, 1921, been amalgamated into four groups, and these four groups now control the whole of the railways in the country except the Underground system in London. The history of railways in Great Britain is a history of amalgamations.

In these days, we regard the ability to travel from one place to another by railway as a normal part of our existence, and seldom pause to consider that 100 years ago not even the first line of our present magnificent system had then been constructed. In the second quarter of the nineteenth century hundreds of measures to authorise the construction of new railways received parliamentary sanction. But the existence of such a large number of small independent companies was inefficient and uneconomical, and in 1846 the movement for amalgamation began and the York and Newcastle Railway was constituted by the amalgamation of a few small companies. This railway was really the nucleus of the London and North Eastern Railway. In 1846, the London and North Western Railway was formed by a similar amalgamation. Between the years 1860 and 1870 about 180 Acts of Parliament were placed upon the statute book authorising either amalgamations or working agreements, and it was by one of these acts that the Great Eastern Railway was constituted by the amalgamation of five smaller lines. At the close of the Great War there still remained in Great Britain 120 independent railway companies, and by the Railways Act, 1921, these, as above stated, were formed into four groups. By this wholesale amalgamation, it is hoped to secure a more economical and efficient working, and thus to give the public cheaper and better facilities for travel and transport as well as to effect an improvement in the conditions and wages of those employed in the industry. *The London Passenger Transport Act*, 1933, put the whole of the bus, tram and Underground systems under the absolute control of the London Passenger Transport Board.

ENGLISH AND WELSH RAILWAYS

London, Midland and Scottish Railway (L. & N.W.R. section). This railway was commonly regarded as the premier line of the United Kingdom. It runs from Euston, the London terminus, through Watford, Leighton Buzzard, Bletchley, Wolverton, Roade, Rugby, Nuneaton, Lichfield, Stafford, Crewe, Warrington, Wigan, Preston, Lancaster, Carnforth and Penrith to Carlisle. At Bletchley a branch runs west to Oxford and east to Cambridge. From Roade a line runs through Northampton to Rugby and also east to Peterborough. From Rugby a line runs through Market Harborough to Uppingham, Stamford and Peterborough, and also through Coventry, Birmingham and Wolverhampton, joining the main line at Stafford. From Nuneaton a line proceeds to Leicester. From Colwich, three miles from Stafford, access is gained, by means of the lines of the former *North Staffordshire Railway*, to Stoke-on-Trent and other north Staffordshire pottery towns. At Crewe lines branch (1) west through Chester, along the Denbigh and Carnarvon coasts to Bangor, and thence through the Menai Bridge to Holyhead; (2) in a south-westerly direction through Shrewsbury to Carmarthen, and in conjunction with the G.W.R. to Swansea. Connection is also made with the G.W.R. at Craven Arms south of Shrewsbury, and access is gained to the mining, smelting and shipping towns of South Wales; (3) in a north-westerly direction through Stockport to Manchester to the west, and Dukinfield, Stalybridge, Huddersfield, Dewsbury, Batley and Leeds to the east. A few miles south of Warrington a line branches through Runcorn, across the Mersey to Liverpool. There is also a line running from Liverpool to Manchester and thence to Stalybridge, where it joins the line to Leeds. Besides the towns mentioned the L. & N.W.R. and its connections serve Blackburn, Accrington, Burnley, Nelson, Colne, Bolton, Bury, Oldham, Rochdale, Halifax, Bradford, Wakefield and other manufacturing towns of Lancashire and Yorkshire.

London, Midland and Scottish Railway (M.R. section). The M.R. was the most heavily capitalised of all the railways of the United Kingdom. It runs from St. Pancras the London terminus, through Luton, Bedford, Wellingborough, Kettering, Leicester, Loughborough, Trent and Alfreton to Chesterfield. From Chesterfield the line proceeds to Rotherham, or by a loop through Sheffield to Rotherham. From Rotherham it runs direct to Normanton, connecting, by branches to the west of the main line, Barnsley, Wakefield, Dewsbury, Huddersfield and Halifax. From Rotherham the line proceeds to Leeds and through Keighley or Ilkley to Skipton. A few miles north of Leeds a branch runs to Bradford. From Skipton the line runs through Hellifield, Settle and Hawes Junction to Appleby and Carlisle. From Bedford a line branches north-west to Northampton and south-west to Hitchin. At Kettering a line proceeds via Oakham and Melton Mowbray to Nottingham, subsequently joining the main line at Trowell, a few miles north of Trent, and throwing off from Radford a line running through Mansfield to Worksop. A line also runs from Kettering through Huntingdon to the G.E.R. at St. Ives, and from Manton to the north of Kettering, through Stamford, Peterborough and Wisbech to Sutton Bridge on the Wash, there joining a line from Saxby, a little south of Melton Mowbray, running through Bourne and Spalding. The junction at Sutton Bridge is effected by means of the M. & G.N. Joint Line which runs to Norwich and connects with the G.E.R. running to Yarmouth, Lowestoft, etc. At Trent a line branches north-west to Derby, the headquarters of the line, and north-east to Nottingham. From Derby the line runs north to Belper, where forking, one arm joins the main line at Clay Cross, and the other proceeds through Matlock and the Peak district to join the railway of the Cheshire Lines Committee running via Marple to Manchester, or through Hazel Grove, Cheadle and Widnes to Liverpool. A line also runs south-west from Derby through Burton-on-Trent to Birmingham, Cheltenham, Gloucester, Avonmouth, Bristol and Bath. From Nottingham a line proceeds through Newark to Lincoln, while from Settle another branch runs through Lancaster to Heysham on the coast of Morecambe Bay. The M.R., by its own system and its connections with other railways, serves many important towns in Derbyshire and Staffordshire besides those mentioned, and amongst others Bolton, Blackburn, Wigan, Chorley, Darwen, Accrington, Bury, Oldham, Rochdale and Burnley in Lancashire, and Harrogate, York, Pontefract and Doncaster in Yorkshire.

London, Midland and Scottish Railway Co. (L. & Y.R. section). This important railway serves the most populous parts of Lancashire and Yorkshire, and by means of its many branches enables the long distance lines from London to serve all the important towns of these great manufacturing districts. One line proceeds from Liverpool to Stockport, Preston, Blackpool and Fleetwood. Another runs from Liverpool via Wigan to Manchester, Ashton and Stalybridge; another from Liverpool through Ormskirk to Blackburn, Padiham, Burnley and Colne or through Accrington to Burnley and Colne. So numerous and complicated are the various branches of this railway that it is impossible to give any clear description of the system, and the student is advised to consult the excellent map to be found in the official time table of the line.

The London and North Eastern Railway (G.N.R. section). This line runs from King's Cross, the London terminus, through Hatfield, Luton, Hitchin and Huntingdon to Peterborough, thence through Grantham, Newark, Retford and Doncaster, to Wakefield, Leeds, Bradford, Keighley, Halifax, Dewsbury, etc. A few miles north of Doncaster the N.E.R. begins, and the Gt. Northern trains continue over the North Eastern system through York and Northallerton to Darlington, Gateshead, Newcastle-on-Tyne, Morpeth, Alnwick and Berwick-on-Tweed. From Hitchin a line runs north-east to Cambridge. From Peterborough a line takes a north-east course to Boston, thence through Louth to Great Grimsby. From Peterborough communication is effected with the G.N. & M. Joint Line to Norwich and access is gained to the coast and inland towns of Norfolk and Suffolk. From Grantham a line runs (1) west to Nottingham, Derby and Burton-on-Trent, (2) north-east to Lincoln and thence to Louth or through Gainsborough to join the main line south of Doncaster.

London and North Eastern Railway Co. (G.C.R. section). This railway, formerly the *Manchester, Sheffield and Lincolnshire Railway*, is the latest and probably the last long-distance railway to find a terminus in London. It runs from Marylebone through Wycombe and Princes Risborough, whence a branch proceeds to Aylesbury, to Brackley, Rugby, Leicester, Loughborough, Nottingham, Sheffield and thence via Penistone, Glossop, Godley Junction and Guide Bridge to Manchester, or via Godley Junction over the Cheshire Lines to Liverpool. From Sheffield a line runs via Worksop, Retford, Gainsborough and Brigg to Barton-on-Humber, Grimsby and Cleethorpes—Lincoln being connected by means of a branch from Clarborough Junction between Retford and Gainsborough.

London and North Eastern Railway Co. (G.E.R. section). This line runs from Liverpool Street, the London terminus, through Chelmsford, Colchester, Ipswich, Saxmundham and Beccles to Lowestoft, Yarmouth and Norwich. At Manningtree, mid-way between Ipswich and Colchester, a short line runs to Harwich. Another line runs from Liverpool Street through Bishop's Stortford to Cambridge, thence to Ely, King's Lynn and the northern towns of Norfolk. From Ely a line runs to March, and thence west to Peterborough and north-east to King's Lynn. Between the two main G.E. lines many branch lines link up the chief towns of Essex, Suffolk, and Norfolk.

London and North Eastern Railway (N.E.R. section). This important line serves the five northernmost counties of England. The route followed by the main line has already been indicated when describing the G.N.R. section. From Newcastle and Gateshead branch lines run via Hexham and Haltwhistle to Carlisle. Other branches connect Newcastle and Darlington with South Shields, Sunderland, Seaham Harbour, the Hartlepools, Middlesbrough and Stockton-on-Tees. The coast towns on the Yorkshire coast, *e.g.* Whitby, Scarborough, and Hull are also connected by branches with the main line. So too is Leeds. The N.E.R., serving as it does the great northern coalfields and iron districts, and busy shipping and ship-building centres, enjoys an enviable position as a heavy goods line.

Great Western Railway (G.W.R.). This railway has the greatest mileage of any in the United Kingdom. It runs from Paddington, the London terminus, through Ealing, Maidenhead, Reading, Didcot, Swindon, and Bath to Bristol. At Bristol the main line divides, one branch proceeding through the Severn Tunnel to Newport, Cardiff, Bridgend, Port Talbot, Briton Ferry, Neath, Swansea, Llanelly, Carmarthen, Pembroke Dock, New Milford, to Fishguard and Cardigan; the other branch running south-west to Weston-super-Mare, thence to Bridgwater, Taunton, Exeter, Plymouth, Devonport, Liskeard, St. Austell, Truro, Redruth, Camborne and Penzance. From Reading a line runs through Newbury, Devizes, Trowbridge, Frome and Yeovil to Dorchester, Weymouth and Portland. At Westbury on this line a branch proceeds to Salisbury. At Didcot a line runs north through Oxford, Banbury, Leamington, Warwick, Birmingham, and Wolverhampton to Shrewsbury, Ruabon, Wrexham, Chester and Birkenhead. This route has been considerably shortened by another line (opened June 1910) branching off from the main line at Old Oak Common about 5 miles from Paddington and proceeding via Bicester. From Yarnton, a few miles past Oxford, a branch line proceeds through Evesham, Worcester and Droitwich to Kidderminster and Hereford, thence north, joining the main line to Birkenhead. From Swindon a line runs to Stroud, Gloucester and Cheltenham. From Gloucester a line runs south along the Welsh border of the Bristol Channel to Newport thence north to Hereford, Leominster and Ludlow, finally joining the main line to Birkenhead about 10 miles south of Shrewsbury. By means of its own lines the G.W.R. taps every part of the great S. Wales coal and smelting districts and the interior towns of Wales.

Southern Railway (L. & S.W.R. section). This line runs from Waterloo, the London terminus, through Surbiton, Woking, Farnborough, Basingstoke and Andover to Salisbury, Yeovil, Exeter and Plymouth. From Exeter a line runs to Barnstaple and Ilfracombe on the north coast of Devon. A few miles past Basingstoke a line branches south to Winchester and Eastleigh, whence it forks west to Southampton, Christchurch, Bournemouth, Poole and Dorchester, and east to Gosport and Portsmouth. At Woking a branch line takes a more directly southern turn through Guildford to Portsmouth.

Southern Railway (L.B. & S.C.R. section). This line runs from Victoria through Croydon, Redhill and Three Bridges to Brighton, Lewes, Newhaven and Eastbourne. At Three Bridges a branch line proceeds through Crawley and Arundel to Chichester and Portsmouth. From Chichester a line runs east along the coast to Worthing, Brighton, Lewes, Eastbourne and Hastings.

Southern Railway (S.E. & C.R. section). This line is an amalgamation of the old *South Eastern Railway* with the *London, Chatham and Dover Railway.* The latter runs from Holborn Viaduct or Victoria through Bromley, Strood, Chatham, Faversham and Canterbury to Dover. Midway between Chatham and Faversham a short line runs to Queenborough. The former runs from Charing Cross or London Bridge through Chislehurst, Tonbridge and Ashford to Folkestone and Dover. From Tonbridge a line proceeds to Hastings and St. Leonards. There is also a line running from London, through Redhill, Reigate and Dorking, to Guildford and Reading.

THE RAILWAYS OF SCOTLAND

London Midland and Scottish Railway Co. (G. & S.W.R. section). This line runs from Carlisle through Dumfries, Thornhill, Sanquhar, and New and Old Cumnock, to Kilmarnock and Glasgow. From Glasgow a line runs west through Paisley, branches south to Dalry, and after throwing out a short branch to Ardrossan proceeds south through Ayr and Girvan, finally running into Stranraer and Portpatrick. A line also runs from Glasgow to Paisley, Port Glasgow, Greenock and Gourock on the south bank of the Clyde. From Dumfries a line proceeds south-west to Dalbeattie and Castle Douglas, thence to Kirkcudbright.

London, Midland and Scottish Railway (Caledonian Railway [C.R.] section). This line also runs from Carlisle, but through Lockerbie. At Lockerbie a branch line connects with Dumfries and the G. & S.W.R. as far as Castle Douglas, from which town the Portpatrick and Wigtonshire Joint Line runs to Stranraer and Portpatrick. Passing through Lockerbie the line proceeds via Carstairs and Symington to Glasgow. From Glasgow a line runs by way of Glenboig and Larbert to Stirling, Dunblane and Perth, continuing through Coupar Angus, Forfar and Brechin to Montrose, Stonehaven and Aberdeen. At Dunblane a branch proceeds by way of Callander to Oban, Appin and Ballachulish. At Carstairs a line branches north-east to Edinburgh and south-west (throwing out a short branch to Lanark) through Lanark, joining the G. & S.W. not far from Old Cumnock, and also continuing to Ayr and Troon. There is also an important line, running through Rutherglen Cambuslang, Uddingston, Bellshill, Holytown, Fauldhouse, West Calder and Mid-Calder, connecting Glasgow and Edinburgh. Many branch lines link up the towns in the Lanark coal and iron districts with the main lines.

London, Midland and Scottish Railway (Highland Railway section). Runs from Perth through Pitlochry, Blair Atholl and Kingussie to Inverness, thence to Beauly and Dingwall and northwards to Thurso and Wick. At Dingwall a branch runs west by south to Strome Ferry. At Aviemore, some distance north of Kingussie, a line proceeds north to Forres, where a line connects that town with Inverness to the west and Elgin, Fochabers and Keith to the east.

London and North Eastern Railway (North British Railway [N.B.R.] section). This railway runs from Berwick-on-Tweed by Dunbar through Portobello to Leith and Edinburgh, thence across the Firth of Forth through Dunfermline and Kinross Junction to Perth; or branching off at Inverkeithing on the north coast of the Firth of Forth through Burntisland, Kirkcaldy, Thornton Junction, Ladybank Junction, Cupar, Leuchars Junction, and across the Tay to Dundee. From Thornton Junction a branch sweeps round the Fife coast connecting Largs, Anstruther, Crail and St. Andrews with Leuchars Junction. From Dundee the C.R. and N.B. Joint Line proceeds to Arbroath and Montrose, whence Stonehaven and Aberdeen may be reached by the C.R. From Dunfermline a line proceeds through Alloa to Stirling, thence to Balloch at the south extremity of Loch Lomond, subsequently joining the line running from Glasgow through Clydebank to Dumbarton, and thence by way of Crianlarich and Tyndrum to Fort William. From Edinburgh a line follows the Waverley route through Galashiels, Melrose and Hawick to Carlisle. Two lines connect Edinburgh and Glasgow—one, the main line, running through Ratho, Linlithgow, Manuel, Polmont, Falkirk, Bonnybridge, Castle Cary and Lenzie; the other taking a more southerly route via Ratho, Bathgate, Airdrie and Coatbridge. From Bo'ness on the Firth of Forth a line runs through Manuel, Blackston, Avonbridge, Slamannan and Whiterigg to Coatbridge, while from Grangemouth another line runs through Falkirk, Bonnybridge and Kilsyth to Glasgow. Hamilton and Morningside in Lanarkshire are each separately connected with the line running from Glasgow to Edinburgh via Coatbridge, and thus with Grangemouth, Bo'ness and Leith. The N.B.R. is a strong competitor with the Caledonian for the carrying trade of the Lanark coal and iron districts.

London and North Eastern Railway (Great North of Scotland section). This line runs from Aberdeen through Inverurie and Huntley to Keith, where it joins the Highland Railway to Forres and Inverness. There is another branch running from Aberdeen to Peterhead and Fraserburgh, and another running along the banks of the Dee to Ballater. A third branch runs north-west to Banff, and also south-west from Keith along the valley of the Spey to Boat of Garten, and joins the H.R.

IRISH RAILWAYS

Great Northern of Ireland (G.N.I.R.). This line runs from Dublin through Drogheda and Dundalk, whence a short line, the *Dunkalk, Newry and Greenore Railway*, runs to Greenore, thence to Scarva Junction, and from there to Lisburn, Belfast and Antrim. At Scarva Junction a line branches to Portadown, where dividing, one line proceeds north by west to Omagh and thence north to Newton Stewart, Strabane and Londonderry; the other by way of Armagh to Clones, and thence to Enniskillen, turning north at that point through Bundoran Junction to Omagh, and also west to Bundoran on the coast of Donegal Bay. A short line connects Clones with Cavan to the south, and Dunkalk to the east.

Great Southern and Western (G.S. & W.R.). This line runs from Dublin to Kildare. At Kildare a line proceeds south-east through Carlow to join the Dublin and South Eastern Railway running to Wexford and Rosslare. Continuing from Kildare the main line runs to Portarlington, where it divides, one branch proceeding through Tullamore and Clara to Athlone and Banaghar, the other running to Maryborough, whence a branch, the old Waterford and Central of Ireland Railway, proceeds south to Kilkenny and Waterford. From Maryborough the itinerary is by way of Thurles, Limerick Junction and Mallow to Cork and Queenstown, and from Cork in an easterly direction to Youghal. From Limerick Junction a line runs to Limerick, thence to Ennis and north through Gort, Athenry, Tuam, Claremorris and Charlestown, to Sligo and also through Tipperary, Cahir and Clonmel to Carrick-on-Suir and Waterford. From Mallow a branch proceeds east to Fermoy, Lismore and Dungarvan to Waterford. A line also runs west from Mallow to Headford in co. Kerry, where it divides, one portion continuing to Kenmare, the other taking a northerly route through Killarney and Farranfore and thence to Valentia Harbour or Tralee and Ardfert. Tralee and Ardfert are also connected via Listowel and Rathkeale with Limerick. From Cork the *Cork, Bandon and South Coast Railway* proceeds to Kinsale, Bantry and Skibbereen.

This railway is now amalgamated with the *Midland Great Western Railway* (*see* below). The title of the combined railways is: **The Great Southern Railway of Ireland.**

Midland Great Western Railway (M.G.W.R.) runs from Dublin through Maynooth, Mullingar, Athlone, Ballinasloe, Athenry to Galway and to Clifden on the coast of Connemara. From Mullingar there is a branch line passing through Longford and Boyle to Sligo, and also one to Cavan. From Athlone a line runs to Roscommon, Castlerea and Claremorris to Achill Isle. A branch from this line at Manulla Junction runs through Ballina to Killala on the north coast of Mayo.

Dublin and South Eastern Railway runs from Dublin through

Kingston, Bray, Wicklow, Arklow and Enniscorthy to Wexford and Rosslare.

Northern Counties of Ireland Railway (N.C.I.R.). This railway, owned by the L.M. & S., runs from Belfast to Larne, and also through Antrim, Ballymena and Ballymoney to Coleraine. At Coleraine a branch proceeds to Portrush, while another runs to Londonderry. From Londonderry the *County Donegal Railway* runs to Strabane, Donegal, Killibegs and Ballyshannon, also to Glentis and Letterkenny.

ROUTES FROM ENGLAND AND SCOTLAND TO IRELAND

N.B. The distances and times given are for the sea-passage.

(1) *England :*
G.W.R. via Fishguard and Rosslare, 55 miles, 2½ hours.
G.W.R. via Fishguard and Waterford, 90 miles, 6 hours.
L.M. & S. Railway via Holyhead and Kingstown, 57 miles, 2¾ hours.
L.M. & S.R. via Holyhead and Dublin, 61 miles, 3½ hours.
L.M. & S.R. via Holyhead and Greenore, 70 miles, 4½ hours.
L.M. & S.R. via Fleetwood and Belfast, 116 miles, 7 hrs.
L.M. & S.R. via Liverpool and Belfast, 137 miles, 8 hours.
L.M. & S.R. via Heysham and Belfast, 115 miles, 6¼ hours.

(2) *Scotland :*
L.M. & S.R. Stranraer to Larne, 35 miles, 1¾ hours.
Ardrossan to Belfast, 74 miles, 4½ hours.
Glasgow to Belfast, 113 miles.
Glasgow to Londonderry, 139 miles.

ROUTES FROM ENGLAND TO THE CONTINENT

The figures in brackets following the names of towns are either distances or approximate times taken for the journey. Unless otherwise stated they are in both cases reckoned from London.

(1) London to Dover and Calais (103), or by Belgian Government steamers to Ostend (143½) ; (2) London to Folkestone (72) and Boulogne (100) ; (3) London to Queenborough ; thence by the Zeeland S.S. Co.'s boats to Flushing (164½) ; (4) London to Harwich and the Hook of Holland (171) ; (5) London to Newhaven and Dieppe (132).

Calais and Boulogne to Paris. The ***Chemin de Fer Nord*** runs from either port via Amiens to Paris (185¾ miles from Calais). Approximate time by either route 7 hours 45 minutes.

Dieppe to Paris. By this route the journey to Paris is via Rouen.

From Paris the following important trans-Continental routes are open: (*a*) Paris to Marseilles; (*b*) Paris to Brindisi; (*c*) Paris to Madrid, the Southern Spanish ports and Lisbon; (*d*) Paris to Vienna, Trieste, Fiume, Bukarest and Constantinople.

(*a*) *Paris to Marseilles.* The *Paris, Lyons and Mediterranean Railway* (*P.L.M.*) runs a daily Mediterranean express via Melun, Sens, Dijon (485½), Chalon, Macon (564), Lyons (605), Valence (674), Avignon and Tarascon to Marseilles (826). Average time to Marseilles 20 hours. This express continues eastwards along the Mediterranean coast to Toulon, the Riviera towns and Genoa (1077, 30 hours).

(*b*) *Paris to Brindisi.* The route to Brindisi is via Melun, Sens, Dijon, Macon, Bourg (587½), Chambéry (660) to Modane (720¼), thence through the Mont Cenis Tunnel to Turin (778¼), and from there via Piacenza (895¼), Parma, Bologna (986¼), Rimini, Ancona (1113½), and Foggia (1314), to Brindisi (1459¼). Average time to Brindisi 42 hours.

(*c*) *Paris to Madrid, etc.* The *Chemin de Fer d'Orleans* runs via Blois, Tours (435¾), and Poitiers (496) to Bordeaux, and continues over the *Chemin de Fer Midi*, via Bayonne (776½) to Irun (800), where customs examination takes place. From that town the Northern of Spain continues via Valladolid (1041¾) to Madrid (1192). Average time 40½ hours. From Madrid the Madrid and Portugal line runs along the valley of the Tagus via Talavera (1280), and Valencia d'Alcantara (1447) to Lisbon (1606½). Average time 50½ hours. From Madrid rail may be taken via Alcazar and Murcia to Cartagena, or via Alcazar and Cordova to Malaga and Gibraltar (average time 70 hours) or to Seville and Cadiz.

(*d*) *Paris to Vienna, etc.* The *Orient Express* runs via Chalons (394¾), Nancy, Strasburg (599½; average time 16 hours), Carlsruhe (653), Stuttgart (710), Ulm, Augsburg (820½), Munich (859; average time 23 hours), and Salzburg (954¾) to Vienna (1124½). Average time to Vienna 31 hours. From Vienna the train proceeds via Pressburg or Raab to Budapest (1287; average time 38 hours). From Budapest the journey may be continued via Verciorova to Bukarest and thence to Constantsa on the Black Sea, whence boat may be taken to Constantinople. Trieste and Fiume—Adriatic ports—are both reached from Vienna, the route running via Gratz and Marburg to Trieste and thence to Fiume, or they may be reached via Milan and Padua.

A new express train service, called the Simplon-Orient Express, runs from Lyons, through Vallorbe, the Simplon Tunnel, Milan, Trieste, Belgrade, Sofia to Constantinople. From London to Constantinople by this route takes about 93 hours.

An equally important series of transcontinental routes to that already described takes Brussels and Berlin as its centres. The chief of them are as follows: (*a*) Calais or Ostend to Berlin via Brussels, (*b*) Flushing to Berlin, (*c*) Hook of Holland to Berlin, (*d*) Calais or Ostend, or Flushing, or Hook of Holland to Hamburg, Copenhagen, etc., (*e*) Berlin to Leningrad, (*f*) Berlin to Moscow, (*g*) Moscow to Vladivostock, Japan, etc., (*h*) Boulogne, or Calais, or Ostend, or Flushing, or Hook of Holland to Vienna, etc.; (*i*) Flushing or Hook of Holland to Amsterdam, Rotterdam, etc.

(*a*) *Calais or Ostend to Berlin* via Brussels. The itinerary is Calais, Lille, Tournai, Brussels (242¾), Ostend, Bruges, Ghent, Brussels. From Brussels the train runs to Liège, thence to Herbesthal (328½), where customs examination takes place, Aix-la-Chapelle, Cologne (381), Düsseldorf (406¼), Dortmund (456½), Hanover (585), Stendal (678), Berlin (742¾). Average time to Berlin 21½ hours.

(*b*) *Flushing to Berlin.* The route followed is via Roosendaal, Boxtel, Salzbergen, Osnabrück, Hanover, Stendal, Berlin.

(*c*) *Hook of Holland, or Amsterdam, to Berlin.* Hook of Holland, Gouda, Utrecht or Amsterdam, Utrecht, Arnheim, Zutphen, Salzbergen, Osnabrück, etc., to Berlin.

(*d*) *Calais, or Ostend, or Flushing, or Hook of Holland to Hamburg, Copenhagen, etc.* Calais or Ostend to Brussels. From Brussels the route is Herbesthal, Cologne, Münster (483), Osnabrück (514¼), Bremen (589½), Hamburg (619½; average time 23 hours), Altona (664½), Kiel (730¼), thence by steamer to Korsör in Zeeland (810¼), and from there to Copenhagen (879; average time 30½ hours), thence by boat to Malmö (899¾), and thence by rail to Stockholm (1283½), average time to Stockholm 47 hours. Trains from Flushing and the Hook of Holland follow the same route from Münster and Osnabrück respectively.

(*e*) *Berlin to Leningrad,* via Königsberg (1110). Wirballen (1207½), where customs examination is effected, Wilua (1315½), Leningrad (1727¾). Average time to Leningrad 51 hours.

(*f*) *Berlin to Moscow,* via Bydgoszcz, Alexandrovo (1004¾), Warsaw (1127), Brest, Smolensk, Moscow (1890½). Average time to Moscow 79½ hours.

(*g*) *Moscow to Vladivostock, Japan, etc.* Via Tula, Kjashk (2145) Tamara (2635), Kourgan (3421), Omsk (3825), Bogotol (4533), Ilanskaia (4895), Irkutsk (5359), Manchuria (6307), to Harbin (6891). Thence via Pogranitchnaia to Vladivostock (7443), and from there by steamer to Tsuruga, Nagasaki, etc., in Japan. Average time to Tsuruga, 15 days. At Harbin a branch proceeds south through Mukden to Pekin.

(*h*) *Boulogne, or Calais, or Ostend, or Flushing, or Hook of Holland to Vienna, etc.* Boulogne or Calais via Lille and Tournai to Brussels, or Ostend via Bruges and Ghent to Brussels, thence via Liège, Herbesthal and Aix-la-Chapelle to Cologne, or Flushing via Roosendaal, Breda and Kempen to Cologne, or Hook of Holland via Rotterdam to Breda, thence to Cologne. From Cologne the route proceeds along either bank of the Rhine via Mainz (476) or Frankfort, Darmstadt (497), Aschaffenburg (528), Würzburg (591), Fürth (647), Nürnberg (653), Regensburg (725) and Passau (788) to Vienna (971). From Vienna the journey to Trieste and Fiume, or Budapest (1134), Belgrade (1358½), Bukarest (1691), or Constantinople (2052) is accomplished as previously described. The approximate time to Cologne is 13¾ hours, to Nürnberg 22 hours, to Vienna 31½ hours.

(*i*) *Flushing or Hook of Holland to Amsterdam, Rotterdam, etc.* Flushing (170), Roosendaal (216¼), Dordrecht (242), Rotterdam (253), or Hook of Holland to Rotterdam, thence (1) via Gouda (281) to the Hague (298½), or Gouda and Utrecht (301) to Amsterdam (314); or (2) via Delft (262), the Hague (267½), Leyden (270¾) and Haarlem (296) to Amsterdam (307). Approximate time to Amsterdam 13 hours, Rotterdam 12 hours, The Hague 12 hours, Utrecht 13 hours.

NOTE: The shipping trade is in a state of flux, and it is difficult to give a succinct account of the changes. Some of the more important amalgamations are indicated in the following pages.

TRADE ROUTES

There are seven main Steamship routes: (1) *The North Sea Routes* to Scandinavian, German and Baltic ports; (2) *The North Atlantic Route* to Canadian and U.S. ports; (3) *The Suez Route* to India and the Far East, Capetown, Australia, Tasmania and New Zealand; (4) *The Cape Route* to South Africa, Australia, New Zealand and Tasmania; (5) *The West Indian Route* to the West Indies, Central American and the U.S. ports on the Gulf of Mexico; (6) *The Plate Route* to South

American (East and West Coast) ports; and (7) *The Panama Route* to New Zealand, etc. The Plate route was the old Australian route via Cape Horn, but is now discontinued except by some companies, who utilise it for the return journey from Australia. In addition to these main routes the development of new countries and the rise of many important new commercial centres have necessitated a large number of supplementary and connecting routes. Competition for the emigration traffic from the Continent and other causes has led to the establishment of many direct services from Mediterranean ports to New York and other parts of the world: and not a few British Companies regularly run liners from New York to the West Indies, South America, South Africa, Australia and the Far East. The extension of railway facilities has, too, had considerable effect in modifying and adding to the old-time routes and somewhat impaired the reliance formerly placed by travellers on the long sea voyages over these historic ocean courses. It is no longer necessary for a traveller to book a passage round Cape Horn in order to reach Santiago or Valparaiso. He proceeds instead to Buenos Aires and takes train across the Andes. Or he may sail from Liverpool to Quebec, transact his business in Canada, and then proceed by the Canadian Pacific Railway (C.P.R.) to Vancouver, thence by Canadian Pacific Liner to Yokohama, Kobe, Nagasaki, Shanghai or Hong Kong; or by Canadian Australian liner, via Honolulu and Fiji, to Brisbane and Sydney, and via Suva (Fiji Isles) or Sydney by the boats of the Union S.S. Co. of New Zealand to Auckland, Wellington, Lyttleton and Dunedin. From Sydney he may go by rail to Melbourne and Adelaide or by steamer to Melbourne, Hobart, Adelaide and Fremantle. Further, just as the opening of the Suez Canal abolished the old route to India and the Far East via the Cape, so the Panama Canal has changed the route to the ports on the west coasts of North and South America and saves no less than 6000 miles between London and San Francisco, and 9000 miles between New York and San Francisco, besides opening up fresh routes to Australia and New Zealand, China and Japan.

In the case of the shorter ocean routes, *e.g.* North Sea, North Atlantic and the route to the various Mediterranean and Black Sea ports which may be included as part of the Suez route, coaling-stations are not necessary; but in the longer routes they are of course imperative, and it is a matter of congratulation that from the extent of her possessions Britain, the paramount carrying nation, has under her own control a large number of outlying stations that are and can be utilised for this purpose.

An ocean-going vessel regularly prosecuting a particular voyage is called a *Liner, i.e.* it regularly proceeds upon a fixed line from port to port. Carrying vessels, sailing from one port to another and picking up freight wherever it is profitably offered, are familiarly termed *Tramps*.

North Sea Routes. The principal firm engaged in the North Sea trade is Ellerman's Wilson Line, Ltd. Services are regularly maintained between Hull and Gothenburg, Hull and Stockholm via Gothenburg, Hull and Oslo via Gothenburg, Hull and Malmö via Gothenburg, Hull and Copenhagen via Gothenburg and Helsingborg, Hull and Leningrad, Hull and Riga, Hull and Stettin, Grimsby and Gothenburg, Grimsby and Malmö. Services are also run in connection with the United S.S. Co. of Copenhagen between Hull and Copenhagen (direct), Newcastle and Copenhagen and Hull and Libau. The Ellerman's Wilson Line run regular steamers from Hull to Hamburg (28 hours), Antwerp (22 hours), Ghent (23 hours), Dunkirk (18 hours), and Rouen (24 hours), etc. These are passenger services. There are in addition a large number of cargo services to these ports. The London and North Eastern Railway Company runs its own steamers from Grimsby to Hamburg, Grimsby to Rotterdam and Grimsby to Antwerp, and also in connection with the United S.S. Co. of Copenhagen to Esbjerg in Denmark. The *Royal Danish Mail Service* run daily motor-ships between Harwich and Esbjerg (22–24 hours). There are connections from Esbjerg to all parts of Scandinavia. These boats carry Danish dairy produce to England.

North Atlantic Route. The ports of departure are Glasgow, Liverpool, Manchester, Avonmouth, Southampton, Dover and London. The ports of arrival are Quebec and Montreal in summer, when the St. Lawrence is open for navigation, otherwise Halifax, N.S., and Portland (Me.), St. John's (N.F.), Portland (Me.), Boston, New York, Newport, Philadelphia, Baltimore and Norfolk (Va.). From Liverpool to New York the distance is 3071 miles; from Liverpool to Montreal 2833; from Southampton to New York 3127 miles. The fastest mail steamers accomplish the journey from Southampton to New York in about 5 days. The following are the principal Lines using this route:

The Cunard-White Star, Ltd. The original Cunard Line was established by Samuel Cunard in 1840, and it was the first steam shipping line to establish a regular service across the Atlantic. Cunard commenced with four boats of 1154 tons each, the speed of which was eight knots per. hour. This company now possesses a fine fleet of vessels; one of the best known, the *Berengaria*, is a vessel of 53,000 tons, with a speed of 23½ knots, and is capable of carrying upwards of 4000 passengers, in addition to cargo. The student will gain some idea of the development of the steamship when it is recalled that the *Britannia*, one of the original four vessels, was only able to carry 115 passengers. The Cunard-White Star now maintains regular services from Southampton via Cherbourg to New York; Liverpool via Cobh to New York and Boston; London to New York; London and Southampton via Havre, and Liverpool via Belfast and Glasgow, to Quebec and Montreal. The Cunard S.S. Co. serves only the Mediterranean and Black Sea ports.

Holland-America Line. Rotterdam to New York and New Orleans.

Norddeutscher Lloyd. Bremen to New York via Southampton; Bremen and Hamburg to Boston, Philadelphia, and New Orleans.

Anchor Line. Glasgow, Belfast, to New York, Halifax in summer. Now part of the Runciman group.

Anchor-Donaldson Line. Glasgow to Quebec and Montreal in summer, and to Halifax in winter. The name of the company became in July, 1935, the Donaldson Atlantic Line, Ltd.

American Merchant Lines. London to New York.

United States Lines. Hamburg and Bremen via Southampton, Cherbourg and Queenstown to New York.

Canadian Pacific Line. Liverpool, London, Southampton, Antwerp, Havre and Hamburg to Montreal.

Manchester Liners, Ltd. Manchester to Quebec, Montreal, St. John, and Baltimore.

Furness Line. Liverpool to St. John's (N.F.), Halifax (N.S.) and Boston. London to Philadelphia and New York.

Ellerman and Bucknall S.S. Co. Antwerp, Middlesbrough, to Montreal and New York.

Cie. Gen. Transatlantique, Ltd. Cherbourg, Southampton to New York.

Hamburg-Amerika Line. Hamburg to New York.

The Suez Route. This route skirts the coast of Portugal, passes through the Straits of Gibraltar and across the Mediterranean to Port Said, thence through the Suez Canal, down the Red Sea past Aden and across the Arabian Sea to Bombay, or by taking a more southerly course through the Arabian Sea to Colombo. From Colombo vessels proceed north up the Bay of

Bengal to Madras and Calcutta, or east to Penang and Singapore. From Singapore the route lies through the China Sea to Manila or Hong Kong. From Hong Kong, still proceeding north, Shanghai, Kobe and Yokohama are reached. From Colombo a long southerly passage across the Indian Ocean brings vessels to Fremantle, the port of Perth, other Australian ports being taken in the order, Adelaide, Melbourne, Sydney. Connecting lines give access to Hobart (Tasmania), and the New Zealand ports Auckland and Wellington, Port Chalmers (for Dunedin) and Port Lyttelton (for Christchurch). Another route via Suez and the Red Sea gives access to the East African ports, Mombasa, Zanzibar, Mozambique, Chinde, Beira, Delagoa Bay, Durban, and thence to East London, Port Elizabeth and Capetown. From London to Sydney via Suez the distance is 12,555 miles; to Melbourne, 11,978; to Yokohama, 11,914; to Hong Kong, 10,112; to Calcutta, 7973; to Colombo, 6999; to Bombay, 6570. These long distances necessitate the provision of fuelling-stations where the steamers can replenish their bunkers. Aden is an important station for this purpose. Further, in order to ensure full cargoes and passenger lists, as well as to offer the utmost facilities for travel, most of the big liners call at various Continental and Mediterranean ports. Lisbon, Gibraltar, Algiers, Marseilles, Genoa, Naples, Malta, are some of these ports of call. The chief lines using this route are:

Aberdeen and Commonwealth Line. London to Malta, Port Said, Colombo, Fremantle, Adelaide, Melbourne, Sydney, Brisbane.

The British India Line. Antwerp, Middlesbrough and London to Calcutta, via Port Said, Aden, Colombo and Madras, and to Karachi and Bombay, and to Marseilles, Port Said, Port Sudan, Aden, Mombasa, Tanga, Zanzibar, Dar-es-Salaam, Beira. There are also numerous connecting lines on the Coast of India linking Indian ports to Burmese ports, Persian Gulf ports, Straits Settlements, Chinese, Japanese, Australian, Javanese and New Zealand ports, East and South African ports, Seychelles and Mauritius. It now runs a joint service with the following:

Peninsular and Oriental S.N. Co., Ltd. London to Fremantle, Adelaide, Melbourne and Sydney. Passengers may embark at Marseilles by means of the P. & O. express, London to Marseilles, and there embark on the outward mail for Penang, Singapore, Hong Kong, Shanghai and Yokohama; London to Singapore and the Far East; London to Bombay; London to Colombo. There are also numerous lines connecting Indian ports with the

Persian Gulf and also with Burmese ports and the Dutch East Indies; Singapore with Sydney (4300) and Hong Kong with Sydney (4400), so that by this line one can book through to almost any destination in the East, Australia, Tasmania and New Zealand.

Anchor Line. Liverpool to Egypt, Bombay and Karachi. Liverpool to Egypt and Calcutta.

Ellerman's City Line. Liverpool to Egypt, Colombo and Calcutta, occasionally calling at Tuticorin and Madras.

Ellerman's City and Hall Lines. Liverpool, Egypt, Bombay and Karachi.

Bibby Line. Liverpool, Gibraltar, Marseilles, Port Said, Port Sudan, Colombo and Rangoon.

Blue Funnel Line. Birkenhead, Glasgow, etc., to Penang, Singapore, Hong Kong, Shanghai and Yokohama.

Shire Line. London, Colombo, Penang, Singapore, Hong Kong, Shanghai, Nagasaki, Kobe, Yokohama.

Orient Line. London, Plymouth, Gibraltar, Toulon, Naples, Port Said, Aden, Colombo, Fremantle, Adelaide, Melbourne, Sydney, Brisbane.

Queensland Line. London to Thursday Island, and Queensland, Port Cairns, Townsville, Rockhampton (Port Alma), Brisbane.

Nippon Yusén Kaisha (Japan Mail S.S. Co., Ltd.). Middlesbrough, Antwerp, London, Gibraltar, Marseilles, Naples, Port Said, Colombo, Singapore, Hong Kong, Shanghai, Kobe, Yokohama, also to Sydney, N.S.W., from Yokohama. This company is one of the most important in the world. In addition to the lines mentioned it maintains a complete Japanese coastal service; a line from Seattle, the U.S. Pacific port, to Japan and China, San Francisco and Los Angeles from China and Japan, and numerous other services to Corea, Hawaii, India and South America.

Nederland Royal Mail Line. Southampton, Algiers, Genoa, Port Said, Colombo, Sabang, Belawan Deli, Singapore and Javanese ports—Batavia, Samarang and Sourabaya.

Rotterdam Lloyd. Southampton, Colombo, Sumatra and Java.

Compania Trasatlantica (Spanish). Liverpool, Colombo and Manila (Philippine Isles), via Corunna, Vigo, Lisbon, Cadiz, Cartagena, Valencia, Barcelona and Genoa.

Union-Castle Line. London, Port Said, Port Sudan, Aden, Mombasa, Tanga, Zanzibar, Dar-es-Salaam, Mozambique, Beira, Lourenco Marques, Natal.

The Cape Route. This route is used by steamers proceeding to Capetown, and also by those for Australia and New Zealand, via the Cape. It is also partly used by steamers trading to West African ports. From Southampton to Capetown the distance is 5978 miles; London to Hobart via the Cape is 11,900 miles; London to Cape Town, 5842. The ports of call are Madeira, Las Palmas, Teneriffe, Ascension, St. Helena. The principal lines using this route are:

Union-Castle Line. Southampton to Madeira, Capetown, Algoa Bay (Port Elizabeth), East London, Natal. These vessels carry the Cape mails. An alternative route is London, Las Palmas or Teneriffe, Ascension, St. Helena, Lobito, Walvis Bay, Capetown, Mossel Bay, Algoa Bay, East London, Natal, Lourenco Marques and Beira.

Bucknall S.S. Lines, Ltd. London, Capetown, Algoa Bay, East London, Natal. (Now part of the Ellerman group.)

Harrison Line. London and Liverpool to Capetown, Algoa Bay, East London, Durban, Delagoa Bay, Beira, Chinde, Mozambique, Zanzibar, Mombasa, and to Madagascar by transhipping at Durban.

British and African Steam Navigation Co., Ltd. Owned by Elder, Dempster and Co., Ltd. The steamers sail from Liverpool via Rotterdam and Hamburg to West African ports.

Elder Dempster Lines. Liverpool to Madeira, Teneriffe, Las Palmas, Dakar and Freetown, Monrovia, Takoradi, Cape Coast, Saltpond, Winneba, Accra and Lome, Cotonou and Lagos, Port Harcourt, Calabar, Victoria, Duala and Kribi.

Blue Funnel and Aberdeen Joint Service. Liverpool to Las Palmas or Teneriffe, Capetown and Durban (homewards). From Capetown the steamers proceed eastwards to Australian and Tasmanian ports. Homeward vessels come to London.

Federal Steam Navigation Co., Ltd. Liverpool to Australia and New Zealand, calling at Las Palmas, Madeira or Teneriffe.

West Indian Route. This route includes the West Indian Isles and also the United States ports on the Gulf of Mexico, New Orleans, Galveston, etc. Sugar, bananas and raw cotton form important cargoes for vessels trading to these parts of the world. The chief companies using the route are:

Elders and Fyffes, Ltd. Avonmouth and Swansea, to Bermuda, Jamaica, Barbadoes, Trinidad, Venezuela, Colombia, Panama, Honduras and Guatemala; Jamaica and Costa Rica; and Bristol to Jamaica, etc.

Royal Mail Lines, Ltd. Liverpool via Leixoes to Lisbon, Rio de Janeiro, Santos, Monte Video, Buenos Aires. (This company was formerly called the Royal Mail Steam Packet Co.)

Manchester Liners, Ltd., include New Orleans in their itinerary.

Hamburg-Amerika Line. Hamburg, Antwerp or Havre, Southampton, Bilbao, Santander, Corunna, Vigo, Cadiz, to Havana, Vera Cruz and Tampico (Mexico).

Houlder Line. London and Liverpool to Monte Video and Buenos Aires.

Koninklijke Hollandsche Lloyd and Norddeutscher Lloyd Lines. Bremen, Amsterdam, Boulogne, via Southampton, to Corunna, Vigo, Leixoes, Lisbon, Las Palmas, Pernambuco, Bahia, Rio de Janeiro, Santos, Monte Video, Buenos Aires.

Lamport and Holt (South American Services). Glasgow and Liverpool to Bahia, Rio de Janeiro, Monte Video, and Buenos Aires.

In addition to the sailings from British ports to the West Indies, etc., many of the Companies run lines from New York to West Indies.

River Plate Route. This route is followed by vessels trading to the Amazon, and South American East Coast and West Coast ports. From Liverpool to Rio de Janeiro the distance is 5671 miles; from Southampton to Buenos Aires 6319 miles. The chief companies are:

The Royal Mail Lines, Ltd. Southampton, Cherbourg, Corunna. Vigo, Lisbon, Madeira, St. Vincent (Cape de Verde Isles), Pernambuco, Bahia, Rio de Janeiro, Santos, Monte Video, Buenos Aires. This Company controls the Pacific Steam Navigation Co., Ltd. (see below).

Booth Line. Liverpool, Havre, Leixoes, Lisbon and Madeira to Para, Manaos, etc., on the Amazon.

Pacific Steam Navigation Co. Liverpool, La Rochelle, Santander, Corunna, Vigo, Bermuda, Havana, Cristobal, Balbao, La Libertad (Ecuador), Paita, Callao, Mollendo, Arica, Iquique. Tocopilla, Antofagasta, Valparaiso.

Lamport and Holt Line. Liverpool to Bahia, Rio de Janeiro and Santos; Liverpool to Monte Video for Buenos Aires and Rosario; Liverpool for ports on the West Coast of South America, and other ports of departure in the United Kingdom are Glasgow and London, with calls at Antwerp and Havre.

Hamburg South American Line. Hamburg, Bremen and Antwerp to Rio de Janeiro and Santos direct. From the same ports to Monte Video and Buenos Aires.

Other lines using this route are the Houston Line and the steamers of Houlder Brothers and Co., Ltd., etc.

Panama Route.—This route is used by vessels to New Zealand and the ports on the Pacific coast of America. The chief companies using the route are:

Shaw, Savill and Albion Line. Southampton to Curacao, Jamaica, Colon and New Zealand ports.

New Zealand Shipping Co., Ltd. London to Wellington, Auckland and other New Zealand ports. This Company is affiliated with the P. & O. and Blue Funnel Lines.

Holland America Line. London and Swansea, Cristobal, Los Angeles, San Francisco, Vancouver, Seattle.

During recent years there have been between 10,000 and 11,000 vessels (over 100 tons) flying the British flag.

CANALS AND WATERWAYS

The total mileage of Canals and Navigation (*i.e.* canalised rivers) at present used in Great Britain and Ireland is about 4670 miles. Of this total about 3639 miles are in England and Wales, 183 in Scotland and 848 in Ireland. As regards management, 1360 miles are controlled by various railway companies, and 3310 miles are run independently—the canals proper being controlled by private companies, and the navigations, sometimes privately, but in most cases by specially constituted public authorities. The total paid-up capital of all the canals amounts to about £47,500,000. In 1909, a Royal Commission reported in favour of a development scheme to improve the existing system. The following are the principal canals:

The Manchester Ship Canal has a depth of 26 ft., and a minimum bottom width of 120 ft., and is slightly over 36½ miles long. It runs from Manchester through Warrington, Runcorn (where it enters the Mersey), Ellesmere Port to Eastham. This canal can take vessels up to 10,000 tons register, and has been the means of creating Manchester a port. The present average tonnage of toll paying traffic is about 6,500,000 tons, and the tolls, dues, etc., amount to nearly £1,400,000.

The Bridgewater Canal, one of the oldest of the artificial canals, is now the property of the Manchester Ship Canal Company. Its course is more or less parallel with that of the Ship Canal for about 29 miles from Runcorn on the Mersey to its junction with the *Rochdale Canal* at Manchester. There is also a branch to Leigh, where it joins the *Leeds and Liverpool Canal.* The length of the Bridgewater is about 42 miles.

The Shropshire Union Canals are an amalgamation of canals connecting part of North Wales, Shropshire, Cheshire and the Midlands with the Mersey. They belong to the L.M. & S. Railway, and have a total length of over 200 miles. The main canal runs from Wolverhampton (where it joins the *Birmingham Canal* system), through Nantwich and Chester, to a junction with the *Manchester Ship Canal* at Ellesmere Port. One branch connects Chester with Welshpool and Newtown; another runs to Shrewsbury and joins the main canal near Norbury; a third branch connects with the *Trent and Mersey Canal* near the town of Middlewich. The chief articles carried are coal, pig-iron, grain, flour, earthenware, hardware, sugar and cheese.

The Weaver Navigation. The River Weaver is canalised for about twenty miles, and is connected with the *Trent and Mersey Canal* by a hydraulic lift at Anderton. It has very large locks, and can take barges with a load of 320 tons. The outward traffic is mostly in salt, grain and chemicals, and also pottery from the Midlands, via the *Trent and Mersey Canal.* A large quantity of Cornish clay also passes down this canal for use in the potteries.

The Trent and Mersey Canal belongs to the L. & N.E. Railway, and is about 93 miles long. It runs from Derwent Mouth, where it joins the *Trent River Navigation,* to Preston Brook, where it joins the *Bridgewater Canal.* Its most important branch is the *Caldon Canal,* 17 miles long, leading from Etruria through the Potteries. It also connects with the *Derby Canal,* the *Coventry Canal,* the *Stafford and Worcester Canal,* the *Macclesfield Canal,* the *Shropshire Union Canal* and the *Weaver Navigation.* It thus forms the main route across the Midlands from east to west, and is the backbone of several other canals. The principal traffic is in potters' materials, coal, earthenware, pig and manufactured iron.

The Leeds and Liverpool Canal connects the Irish Sea with the North Sea, and has a total length of 145 miles. It runs from Leeds through Shipley, Skipton, Burnley, Blackburn to Wigan, branches off at Wigan: (1) to Liverpool, (2) to Leigh, where it joins the *Bridgewater*, which connects it with Manchester. There is also a branch to Bradford. There is considerable traffic in coal, raw cotton, and grain, and general merchandise.

The Aire and Calder Navigation, connected with the *Leeds and Liverpool* at Leeds Bridge, is one of the most successful of the privately controlled English canals. It connects the ports of Goole and Hull with Leeds, Bradford, Halifax, Sheffield and other manufacturing centres. It carries about 1,000,000 tons of coal a year to be shipped at Goole, and a large quantity of woollen goods. Its total length is about 85 miles. The *Barnsley Canal*, from Wakefield to Barnsley, is now part of the system, and there is also a junction, by means of the *New Junction Canal*, with the *Sheffield & South Yorkshire Navigation.*

The Sheffield and South Yorkshire Navigation, controlled by the L. & N.E. Railway Co., is connected at two points with the *Aire and Calder* and also with the *River Trent.* The navigation has a total length of about 60 miles. The principal traffic is in grain, timber, pig-iron and bar-iron, Swedish iron from Hull to Sheffield, and general goods and coal from the collieries to Hull.

The Stafford and Worcester Canal, controlled by a private company, is about 51 miles long. It is connected with the Severn at Stourport, and then passes through Kidderminster to Autherley near Wolverhampton, where it joins with the *Birmingham Canal* and the *Shropshire Union Canals*, and thence, touching Stafford, to a junction with the *Trent and Mersey* at Great Haywood in Staffordshire. Thus it forms the most direct route from the Severn to the Mersey, and connects both estuaries with Wolverhampton and Dudley, and important mining and industrial centres in South Staffordshire and East Worcestershire.

The Gloucester and Berkeley Ship Canal, 16½ miles long, extends from Sharpness Docks on the Severn up to Gloucester. It can be used by ships carrying as much as 1200 tons. This company also bought the *Worcester and Birmingham Canal* (37 miles). Coal is the principal commodity carried, but there is considerable traffic also in grain, timber and general merchandise.

The Birmingham Canal, controlled by the L.M. & S.R., comprises about 169 miles of waterways coiling through and about the city of Birmingham and the surrounding mining and manufacturing district of South Staffs. and East Worcestershire, including the towns of Wolverhampton, Dudley, Walsall and Wednesbury. It carries a very large local traffic. The banks are lined with manufactories of all kinds, especially ironworks. This system is connected with the Mersey by two routes: (1) via the *Stafford and Worcester*, and the *Shropshire Union*, into the *Manchester Ship Canal* at Ellesmere Port; (2) via the *Stafford and Worcester*, the *Coventry*, the *Trent and Mersey*, and thence either by the *Weaver Navigation* into the *Ship Canal* at Western Point Docks, or into the *Bridgewater Canal* at Preston Brook. It is also connected with the Severn by two routes, viz.: (1) By the *Worcester and Birmingham Canal*, belonging to the *Gloucester and Berkeley*; (2) by the *Stafford and Worcester Canal*. The principal goods carried are general merchandise and coal.

The Grand Junction Canal unites London and the Thames with the Midlands. It joins the Thames at two points: (1) through its own water at Brentford; (2) through the Regent's Canal, with which it forms a junction at Paddington. The main canal extends from Brentford for about 93½ miles to Braunston, in Leicestershire, and forms, together with 5 miles of the *Oxford Canal* from Braunston to Napton, the *Warwick and Napton Canal*, and the *Warwick and Birmingham Canal*, the principal water route between London and Birmingham. The Grand Junction also owns the *Leicester Canal*, which branches off at Norton Junction, a few miles from Braunston, whence the main route to Nottingham (and so by the Trent to the Humber) is continued by way of the River Soar, under the names of the *Leicester* and the *Loughborough Navigations*. There is also a branch to Northampton, connecting with the River Nene. The Canal Company has good wharf accommodation at its Paddington terminus. The total length of the waterway is 189 miles. The principal goods carried are general merchandise (consisting chiefly of sugar and other groceries), manure, coal and foreign grain.

Regent's Canal commences at its junction with the Paddington branch of the *Grand Junction*, and extends for nearly 9 miles to its connection with the Regent's Canal Dock on the Thames at Limehouse. The Regent's Canal Dock, belonging to the same Company, is 10 acres in extent, and is capable of accommodating ships up to 3000 tons.

The Kennet and Avon Canal belongs to the G.W.R. This waterway is partly canal, and partly the canalised rivers, Kennet and Avon. For the first 18½ miles from its junction with the Thames at Reading to Newbury it is the canalised Kennet, for the next 57 miles from Newbury to Bath it is canal, for the last 11 miles from Bath to Bristol it is the canalised Avon. The trade on this, as on all the canals south of the Thames, has seriously declined of late years.

The Thames and Severn Canal. The canal joins the Thames at Inglesham, near Lechlade, and connects it with the Stroudwater Canal and so with the Severn. It is 30 miles long.

Lancaster Canal, belonging to the L.M. & S.R., is about 60 miles long, and runs between Preston, Lancaster and Kendal. It is not connected with any of the other canals. The principal traffic is in coal and slack, minerals, timber, grain and general merchandise.

WELSH CANALS :

The only Welsh canals of any importance, besides the branches of the Shropshire Union Canal which lie within Wales, are the *Glamorganshire and Aberdare Canals*, connected with Cardiff, and the *Swansea Canal*, connected with Swansea.

SCOTCH CANALS :

The Caledonian Canal connects the North Sea and the Atlantic Ocean and is over 60 miles in length. The main part of the waterway, which runs from Fort William to Inverness, consists of a series of natural lochs, connected by several short canals—the artificial portion extending to about 23 miles in all. The canal is used by vessels up to 120 tons.

The Crinan Canal, across the peninsula of Kintyre, provides a short cut between Glasgow and Oban for ships up to 160 tons.

The Forth and Clyde Canal connects Grangemouth Harbour on the Firth of Forth with Bowling on the Firth of Clyde. It belongs to the L.M. & S. Railway, and has a total length, including branches, of 52 miles The main canal passes within 3 miles of Glasgow, with which city it is connected by means of a branch canal. *The Monkland Canal*, also the property of the L.M. & S. Railway, may also be considered a branch canal. It joins the Forth and Clyde in Glasgow and runs for 13 miles to Coatbridge. The principal traffic is in coal, pig-iron, timber, grain, salt, sugar, flour and general goods.

The Edinburgh and Glasgow Union Canal, the property of the L. & N.E. Railway, runs from Edinburgh through Linlithgow to Falkirk, and joins the *Forth and Clyde* near Falkirk. It is about 31 miles long.

IRISH CANALS :

The Grand Canal connects Dublin with the Shannon. The main canal runs through Tullamore to Ballinasloe, on the Shannon, a distance of 93 miles. It has several branches and a total length of 209 miles. The principal traffic is in coal, grain, malt, timber, potatoes and manure.

The Royal Canal belongs to the Midland Great Western Railway, also runs from Dublin to the Shannon, a distance of 95 miles. There is also a branch to Longford, length 5½ miles.

There are several other canals in Ireland, among them being the *Lagan Canal,* from Belfast to Lough Neagh (length, 25 miles), and the *Strabane Canal,* from Londonderry to Strabane (length, 4 miles).

Advantages and Disadvantages of Waterway Transport over Railway Transport. Assuming, for the sake of argument, that the Canals are, at the present time, as efficiently organised as the Railways, the following are some of the reasons for and against water carriage as compared with railway carriage.

Advantages: (1) The landing or shipment of goods can be effected at any point, and is not necessarily confined to certain fixed stations, as on railways. Thus, goods can be taken by barge direct to the ship's side and payment of dock dues, etc., avoided. (2) The costs of construction and maintenance of a waterway being less than that of a railway, the rates for carriage are usually lower. (3) The capacity for traffic is almost unlimited, provided the locks are properly designed. (4) There is much less risk of loss of, or damage to, cargo in transit. For example, take the case of coal, there is less leakage and less dust created, owing to the absence of jolting. Against this, however, must be set the fact that there is more labour and breakage in hauling coal from a barge into a wagon or ship than in tipping it from a railway truck into the wagon or ship.

Disadvantages: (1) Transport by railway ensures quicker and more punctual delivery of goods. Hence merchants can manage with smaller stocks, use less warehouse-room and employ less capital. (2) There is a want of uniformity of gauge in the different canals and locks—some taking long, wide barges carrying heavy loads, others, narrow boats of small tonnage, whereas railways have a uniform gauge which allows a truck to proceed from one railway line to another without hindrance. (3) Except in the case of an abnormal fall of snow railway traffic is not impeded by a severe frost, nor again, are railways usually much affected by floods. Droughts, too, ofter cause a shortage of water in canals, with a consequent impeding of traffic. Here, however, it must be said that floods only affect canalised rivers and rivers proper, and that a dry season does not affect canals so much as it does canalised rivers and rivers. On the other hand, canals, consisting of almost stagnant water, are frozen over much more easily than most rivers. Since the Great War, canals have found it increasingly difficult to compete with railways on account of the increased cost of labour. A barge, carrying 50 tons, will require the services of two men, whereas a train, carrying 500 tons, can be worked by three men. Consequently, the amount of canal-borne traffic has diminished in recent years.

RAILWAY RATES TRIBUNAL

This is a new Court, established by the Railways Act, 1921, to meet the wishes of traders and others who desired a new tribunal, with an inexpensive procedure, to deal with matters affecting railway rates and charges.

The tribunal consists of three members, of whom one must be a person of experience in commercial matters, one a person of experience in railway business, and the third, who is the president, must be an experienced lawyer. They hold office for seven years. Power has been conferred upon the Tribunal to determine any questions brought before it relating to the following matters:

(*a*) The alteration of the classification of merchandises.
(*b*) The variation or cancellation of through rates.
(*c*) The institution and the alteration of group rates.
(*d*) The variation of the tolls payable by a trader.
(*e*) The amount to be allowed for services in connection with a private siding.
(*f*) The amount to be paid for services for which no authorised charge is applicable.
(*g*) The reasonableness or otherwise of any conditions regarding the packing of articles specially liable to damage in transit or to cause damage to other merchandise.

(*h*) The articles which may be conveyed as passengers' luggage.

The Tribunal has power to fix standard charges for the carriage of all kinds of merchandise carried at company's risk and also at owner's risk; see p. 172. The new charges came into force on January 1, 1928, the day fixed by the Railway Rates Tribunal.

There is a right of appeal from the decisions of the Railway Rates Tribunal to the Court of Appeal when a question of law is involved, but on a question of fact no appeal is permitted.

ROAD TRANSPORT BY MOTOR

Many firms, instead of transporting the bulk of their goods by rail or waterway, now have their own fleets of motors. Transport by road has the very great advantage, to some users, of being entirely under their own control, giving a very speedy means of transit from point to point, with, in some cases, a great saving in packing. The fact that the vehicle can be brought right up to the door of the buyer, or, inside, if need be, eliminates much handling, with its consequent risk of breakage and damage. The actual charge for haulage may be higher than that of the railways, but the advantages, in many cases, will more than compensate for the increased cost. It should be stated, however, that up to the time of writing it has been found that road transport by means of motor vehicles is unsuitable, in general, for the collection and delivery of small consignments. Railway transport, especially over the longer distances, has the advantage of speed of delivery, although it must be admitted that this advantage is often lessened by defective organisation. The grouping of the railways under the Railways Act, 1921, has done something to remedy this defect. The railway companies have now bought up several of the road transport undertakings, which are to be run in connection with the railways, and it is hoped that the combination will both quicken and cheapen transport.

AIR ROUTES

The Imperial Airways, Ltd., run a weekly service to Africa and India. Aeroplanes leave Croydon Aerodrome every Wednesday for Paris, and proceed thence via Athens and Cairo to Khartoum, Kampala, Nairobi, Salisbury, Johannesburg and Capetown. The whole journey occupies nine days. Their Indian service leaves Croydon aerodrome for Paris, thence via Athens and Alexandria to Baghdad, Basra, Karachi, Delhi and Calcutta (7 days).

TEST PAPER XXII

1. Name the great railways which have their London termini at St. Pancras, King's Cross, Paddington and Victoria respectively.

2. Mention the chief routes (*a*) from England to Ireland; (*b*) from Scotland to Ireland.

3. Mention the chief towns on the route from London to Constantinople via Paris. How long does the journey take?

4. What is the quickest route from Liverpool to Tokyo? Mention two other routes you might take.

5. Describe the itinerary of a P.O. mailboat from Tilbury to Hong-Kong.

6. Mention the chief S.S. lines plying the River Plate route.

7. State the main Ocean Trade routes and mention what you consider the two most important railways in the world and why.

8. Mention the order in which Australian ports are taken by vessels plying the Suez route.

9. Write the following abbreviations in full: P. & O.; L.M.S.; L.N.E.R.; G.W.R.

10. Mention the chief routes from England to the Continent.

11. Mention the chief English canals. State what you know about the Manchester Ship Canal.

12. State what you know regarding the Birmingham Canal and its connections.

13. Discuss the relative advantages and disadvantages of Canal compared with Railway transport.

14. Name the ports of departure and arrival of the following S.S. lines and their routes: (*a*) P. & O.; (*b*) Anchor; (*c*) Union Castle; (*d*) Royal Mail Lines, Ltd. (*N.U.T. Elem.*)

15. Describe the shortest possible route from London to Bombay. Give the chief places on the route and the S S. line that would be used. (*N.U.T. Elem.*)

16. From what ports in England and to what ports abroad do the vessels of the following lines sail: (*a*) Elder Dempster; (*b*) Union Castle; (*c*) Cunard-White Star, Ltd.; (*d*) Royal Mail Lines, Ltd.; (*e*) P. & O. (*N.U.T. Elem.*)

17. Name any three ship canals with which you are acquainted and show what advantages they offer to commerce. (*N.U.T. Elem.*)

18. Name one or two of the principal Steam Navigation Co.s whose ships ply between London, Liverpool or Southampton and (*a*) New York, (*b*) Cape Town; (*c*) Buenos Aires; (*d*) Hamburg; (*e*) Lisbon; (*f*) Melbourne. (*N.U.T. Elem.*)

19. Compare the advantages of canals and railways and their drawbacks. Give the routes of any two British canals and say what traffic they are chiefly used for. (*N.U.T. Elem.*)

20. What steps would you take to ensure the transmission of a letter from London to Glasgow in the shortest possible time. (*N.U.T. Elem.*)

21. Name the overland routes to Egypt, and the chief countries and cities passed through. (*N.U.T. Elem.*)

22. Name the chief English exports, and to what countries are they sent? (*N.U.T. Elem.*)

23. What are the constitution and jurisdiction of the Railway Rates Tribunal under the Railways Act, 1921?

CHAPTER XIV

THE BANKING ACCOUNT: CHEQUES

A Bank is a Safe Deposit. The retail trade of the country is mainly a cash trade, *i.e.* the buyer tenders payment in coin the moment the goods are transferred to him by the seller. It would, obviously, be a somewhat risky proceeding for a modern shopkeeper to keep all his takings in cash on the premises, to say nothing of the loss that hoarding his money thus, instead of putting it out at interest, would entail, and of the inconvenience and danger in conveying large amounts of cash to the wholesaler from whom he buys. He therefore accepts the convenience offered by the banking system, and periodically hands over his takings to a banker for safe custody. At the very least, then, he exchanges the insecurity of hoarding for the security afforded by powerful banking houses.

Bankers and Cheques. The retailer's dealings with the public are mainly for cash; his dealings with the wholesaler, as also the dealings of wholesalers amongst themselves, are generally conducted upon a different principle. When goods are sold by a wholesaler to a retailer, or by one wholesaler to another, the goods are usually immediately transferred, but payment is postponed to a future date mutually agreed between buyer and seller. When the due date comes round payment is made, not in cash, but by the buyer sending the seller a written order on his banker directing the banker to hand over on demand to the seller the amount due. Such a written order is called a **Cheque.** Here, then, we have a second aspect of a banker's functions; firstly, he is a custodian * of his customer's money; secondly, a steward * disbursing it when and to whom his customer directs.

The Banker a Lender of Capital. The wholesale trade of the country includes the Import and Export trades, and these sections, like the home wholesale trade, are conducted upon credit. But inasmuch as the Import and Export trades, in one of their dual aspects, are conducted with traders abroad, the settlement is effected not by the debtor sending a cheque to his creditor but by a document addressed by the creditor to the debtor and signed by the creditor, requiring the debtor to pay at a fixed or determinable future time (sometimes also " on demand ") the sum due to the order of a specified person or to bearer. Such a document is called a **Bill of Exchange.** Bills of Exchange are also used in the home trade, but to a far less extent. These Bills of Exchange are bought from the mercantile public by bankers, and bill brokers acting in conjunction with bankers. The banker buys them at a stated rate of discount, *i.e.* he immediately credits the seller (his customer) with the amount of the bill, less a deduction of so much per cent. for the term the bill has to run till the date of payment arrives. Here then we have a third function of a banker. Firstly, he is a custodian of his customer's money; secondly, a steward, disbursing it according to his customer's instructions; thirdly, a lender of capital, giving his customer, for a consideration, the immediate use of capital expended in manufactures or the raising of produce sold abroad, which would not otherwise be available till the Bill of Exchange representing the transfer of the goods had become due for payment. A banker exercises other functions besides the three mentioned (*see* p. 372), but it is owing mainly to these that the banking system has become general throughout the world, so that in this country, at least, even the smallest trader has his banking account. Or rather, it would be more correct to say that the growth of trade encouraged bankers to fulfil these functions, and their fulfilment has in turn re-acted upon trade, conducing to its wider and ever widening development.

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* The student is cautioned that these words "custodian" and "steward" are merely *descriptive* epithets. As descriptions they may pass, but the student will see later (*see* p. 376) that a banker does not undertake to pay back the *actual* money committed to him but its *equivalent*, and that he has generally perfect liberty to employ his customer's money as he thinks fit. The relation between a banker and his customer is, in general, that of debtor and creditor.

The Value of the Cheque System. (1) *It provides an easy and cheap means of remitting money to all parts of the country,* the cost being the same for any amount, twopence for the stamp on the cheque, and three-halfpence for the postage, if the cheque be remitted. Hence cheques restrict the use of legal tender, thereby effecting a large saving in the costs which would attend the use and transmission of a vast amount of actual cash.

(2) *It simplifies the settlement of the innumerable interchanges of goods constantly being carried on.* A trader in Manchester owes £100 to a London trader and a London trader owes £100 to a Manchester trader. If payment were made in legal tender we might

have the ridiculous sight of one conveyance carrying £100 to Manchester passing another carrying £100 in cash to London. Under the cheque system we have instead two letters, each containing a piece of stamped paper representing £100, which by a wonderfully effective arrangement of Bankers' Clearing Houses described at p. 397 are brought together and cancelled one against the other without the use of a single note or coin.

(3) *It is safer than the use of cash.* A cheque may be drawn to *Bearer* or *Order*. If it is drawn to "bearer" and not crossed, it will be paid to any holder who presents it at the bank on which it is drawn. If it is made payable to the *order* of a specified person it will only be paid by the banker on the *payee, i.e.* the person in whose favour it is drawn, *endorsing* the cheque, *i.e.* signing his name on the back of the cheque in agreement with his description on the face of it. A cheque to *order* is therefore safer than one to *bearer*, and for this reason bearer cheques are not commonly met with in trade, though they are frequently issued by bankers, and are also used on the London Stock Exchange. A further way of safeguarding a cheque is to *cross* it, *i.e.* to draw two parallel lines across its face, with or without adding the words *& Co.* A cheque thus crossed will only be paid by the banker on whom it is drawn provided it is presented through another banker; and if the name of a particular banker is added to the crossing, only through the banker named. Hence the cashing of a crossed cheque is restricted to those persons possessing banking accounts, and, where the cheque is crossed to a particular banker, to those persons who have accounts with that banker. Its movements can therefore be easily traced. An uncrossed cheque is termed an *open* cheque. A cheque is a *negotiable instrument, i.e.* any holder of a cheque who gave value for it and took it in good faith is entitled to payment of it. But if to the crossing the words "not negotiable" be added, its qualities as a negotiable instrument are impaired. It may still be transferred from one to another, but the holder of such a cheque has no better title to it than had the person from whom he took it. Hence if it prove to have been stolen the holder would lose the value he gave for it even though he were a perfectly innocent holder. It will be seen therefore that a cheque crossed to a particular banker and marked "not negotiable" is as safe as anything in the way of cash can be. Other crossings of cheques, etc., are given at p. 305. The negotiability of a B/E cannot be restricted in this way.

Opening a Banking Account. A banker, as a general rule, requires a prospective customer to be introduced by a person known to him before he will undertake his banking business. He also usually requires a customer to keep a minimum balance of, roughly, £100 for town accounts and £50 for country accounts. When, however, only a few cheques are drawn, the balance is allowed to descend below these minimum amounts ; if many are drawn, the banker makes a charge, termed a *Commission*, for his services.

A customer, having been introduced, and his preliminary deposit accepted, is required to sign in the bank's signature book, or on a signature card, his name as he usually writes it when signing cheques or accepting bills, so that the bank officials may become familiar with his signature. He is then handed : (1) a cheque book, (2) a pass book, (3) a pay-in book.

The Cheque Book contains a varying number of cheques (25, 50 100, 250, etc.), each stamped with a *2d.* embossed stamp, and the cost of the stamps is debited to the customer, the cheque forms themselves being supplied free. It is not necessary to use the special cheque form of the bank when drawing a cheque. It can be drawn on a half-sheet of note paper, and stamped with a *2d.* (or the equivalent) adhesive stamp. But bankers discourage this form of cheque, because of the ease with which the amount for which it is drawn can be altered, and certainly no prudent business man would use any but the bank's own forms. The elaborate engraving on the cheque forms issued by the banks makes it more difficult for any one to alter the words and figures without detection.

The Pass Book is a kind of small ledger ruled Debtor and Creditor, and is really a transcript of the customer's account in the bank's books. On the Debtor side the bank debits itself with all amounts paid in, and on the Creditor side credits itself with all amounts paid out. If the Pass Book is written up to date the excess of the Dr. entries over the Cr. entries is the balance of the current account standing in the bank's books to the credit of the customer. The Pass Book should be periodically—once a week, or if the transactions are infrequent, once a month—returned to the bank, in order to be written up. When returned by the bank, vouchers for all payments by the bank on behalf of the customer will be found in the pocket on the inside of the cover of the Pass Book, in the shape of Cheques drawn, and Bills of Exchange accepted, by the customer, and paid and cancelled by the bank. For all other charges such as interest, expenses of collection, cost of cheque books, slips are enclosed setting forth the particulars. English banks usually charge their customers *6d.* apiece for each Scotch or Irish cheque they collect, unless such cheque is payable by an English office or agent of the Scotch or Irish bank. At frequent intervals every trader should compare the Bank Pass Book with his Cash Book. The balance shown in the Pass Book will not usually agree with the bank balance shown in the Cash Book. The difference will arise from the extra charges, interest, expenses of collection, etc., mentioned above which must be entered in the Cash Book from the Pass Book, and also from the fact that some cheques issued by the trader to his creditors may not have been presented to the bank for payment at the time the Pass Book was written up, and therefore do not appear on the Cr. side ; or because Irish and Scotch cheques paid into the bank have not yet been collected and therefore do not appear on the Dr. side. The cashier should then construct a *Reconciliation statement* and write the details of the statement at the foot of the monthly ruling-off of the Cash Book, thus :

Bank Reconciliation Statement, *March* 25, 1935

Balance as per Bank Pass Book				£618	10	9
Deduct cheques drawn but not yet debited :						
Warren	12	10	9			
Finch & Co.	8	7	6			
Annandale Bros	53	2	1	74	0	4
				544	10	5
Add cheques paid in but not yet credited :						
Sime, Glasgow	190	10	8			
Forward Bros., Cork	80	11	7	271	2	3
Balance as per Cash Book				£815	12	8

Pay-in Book. This is a book of detachable forms on which the different items paid into the bank are enumerated. Some banks have a town pay-in book for enumerating cash, Notes, P.O.s, M.O.s, cheques, Bills, etc., payable in London, and a separate Pay-in Book for country cheques and Bills. Others have but one Pay-in Book with different divisions for town and country. The reason for this subdivision is to be found in the Clearing House system, there being four daily clearings at the London Clearing House in Post Office Court, Lombard Street : two for town cheques and Bills, one for metropolitan, and one for country. The different varieties of documents paid in are collectively termed the *effects*.

Kinds of Accounts. A customer may run several accounts with his banker:

(*a*) *A Current or Drawing Account*, to which his inward payments are credited and his outgoings debited. Money may be paid into or withdrawn from the Current account at any time.

(*b*) *A Deposit Account*, to which he transfers from time to time such balance of his Current account as is not immediately necessary for the conduct of his business. Some banks issue Deposit Receipts for money placed to Deposit account; others issue Deposit Pass Books, in which the payments in and withdrawals are duly debited or credited, as the case may be.

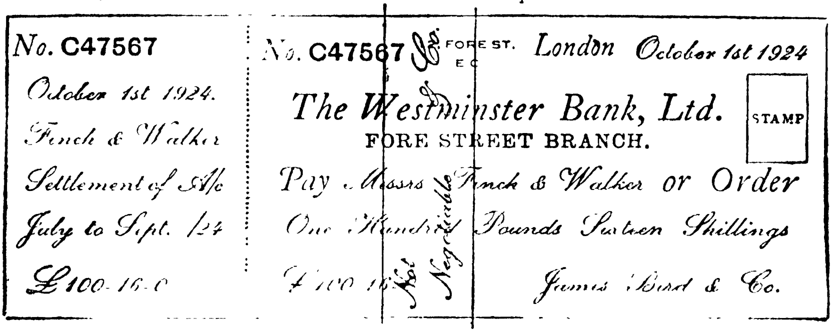
(*c*) *A Private Account*, from which he draws to discharge his personal expenses or to make payments of a more or less private nature.

(*d*) *Special Accounts*, for purposes varying with different businesses, *e.g.* charitable subscriptions, Dividend payments, Calls upon Shares, etc.

Interest on Accounts. Bankers do not usually allow interest on the Current account, or on any of the Special accounts where the balance is continually fluctuating, though some do allow interest when the monthly balance exceeds a stated sum. In the north of England and Scotland, the practice obtains amongst bankers of allowing interest on current accounts and charging a fixed commission on the total sum withdrawn by cheque during a given period. Interest is allowed on the Deposit account, from which money cannot be withdrawn save to the Current account without due notice varying between 7 days and 1, 3, 6, 12 months or whatever other time may be agreed on between the banker and his customer. The rate of interest allowed on the Deposit account varies with the length of time required for notice of withdrawal. Money held on deposit at 7 days' notice would bear interest at about 2 per cent. below the current Bank rate, *i.e.* the official rate charged by the Bank of England for discounting the best kinds of bills; and the rate varies as the Bank rate varies. The rate of interest on deposits held under longer notice of withdrawal is correspondingly higher.

Paying into the Bank. Payments into the bank may be: (1) Cash, (2) Bank Notes, (3) Postal Orders, (4) Money Orders, (5) Cheques, (6) Bills of Exchange and Promissory Notes, (7) Interest Coupons, (8) Dividend Warrants. Bills and Promissory Notes should be paid in on the day before they are due if payable in the same town as that in which the banker resides, and two or three days before they are due in all other cases. The cash and other effects should be enumerated separately under the different printed headings on the pay-in slip (*see* p. 303), and also on the counterfoil of the slip, care being taken to see that slip and counterfoil exactly agree, and that the date and the name of the firm to whom the effects are to be credited is also clearly indicated. The whole bundle of cheques, postal orders, etc., is then tabbed together and handed in to the receiving cashier at the bank's counter. He will check the effects with the entries in the Pay-in Book, looking carefully at all endorsements to see that they are in order ; then tear off the perforated pay-in slip, initial and stamp the counterfoil, which becomes a receipt for the amount paid in, and hand back the Pay-in Book to the messenger.

Counterfoil Cheque.



No. C47567

October 1st 1924.

Finch & Walker

Settlement of A/c

July to Sept. /24

£100-16-0

No. C47567 FORE ST. E.C. London October 1st 1924

The Westminster Bank, Ltd.

FORE STREET BRANCH.

STAMP

& Co.

Not Negotiable

Pay Messrs Finch & Walker or Order

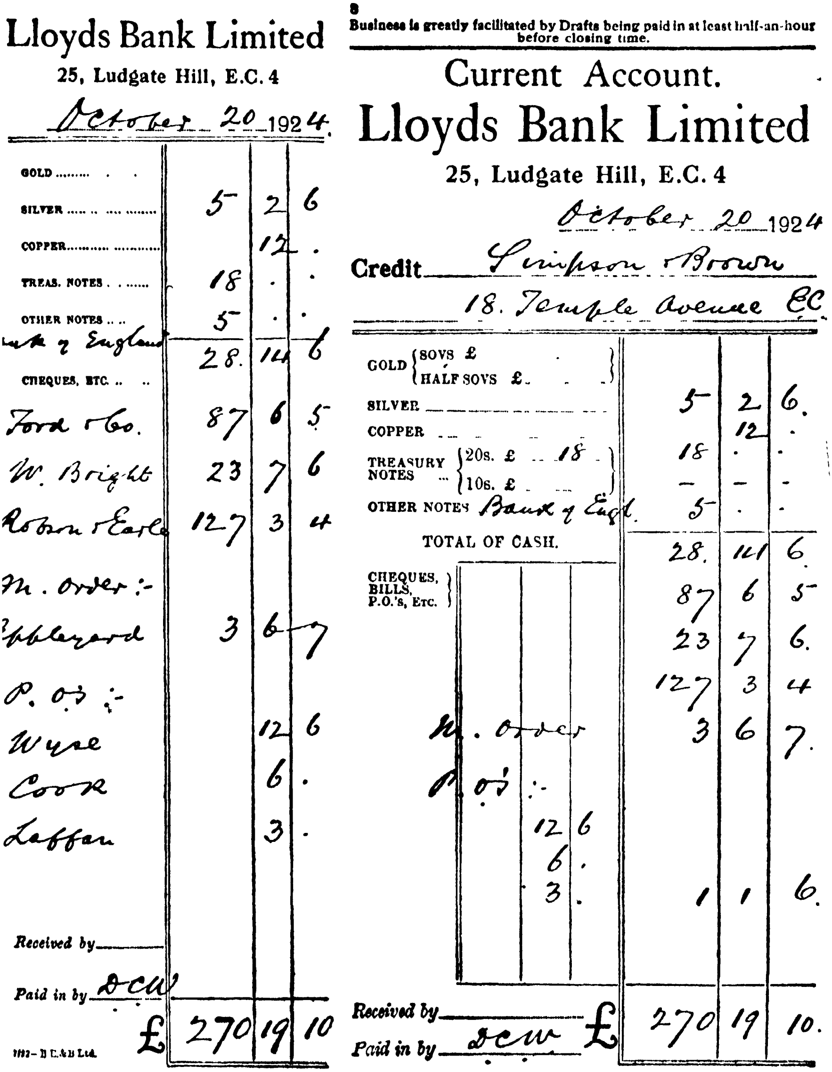
One Hundred Pounds Sixteen Shillings

£100 16

James Bird & Co.

I will now explain in fuller detail by means of an illustration the practical significance of the various ways of drawing a cheque.

The specimen cheque above is drawn on the Westminster Bank, Ltd. (the drawees), by J. Bird & Co. (the drawers), and made payable to Messrs. Finch & Walker (the payees). The cheque is drawn to *order*, and crossed *& Co. not negotiable.* It must therefore be endorsed by the payees, who will sign on the back of the cheque *Finch & Walker*, and pay it into their bank for collection, since a crossed cheque is only payable by one banker to another banker Had the cheque been an open one—*i.e.* uncrossed -it would be paid by the banker to any person who presented it on its endorsement by Finch & Walker, if drawn to Order, but without endorsement, if drawn to Bearer. If the cheque had been crossed to Finch & Walker's bankers, say the Midland Bank, Ltd., it would only be paid if presented by that bank, so that to obtain payment of it presentment must be made through that bank. If the cheque had been drawn payable to *Finch & Walker . . . or Bearer*, it would not require endorsement by Finch & Walker, but



Lloyds Bank Limited
25, Ludgate Hill, E.C. 4
October 20 1924.

GOLD			
SILVER	5	2	6
COPPER		12	.
TREAS. NOTES	18	.	.
OTHER NOTES nk of England	5	.	.
	28.	14	6
CHEQUES, ETC.			
Ford & Co.	87	6	5
W. Bright	23	7	6
Robson & Earle	127	3	4
M. Order :-			
ppleyard	3	6	7
P. O's :-			
Wyse		12	6
Cook		6	.
Laffan		3	.

Received by

Paid in by DCW

£ 270 19 10

1112–B L.&B Ltd.

Business is greatly facilitated by Drafts being paid in at least half-an-hour before closing time.

Current Account.

Lloyds Bank Limited
25, Ludgate Hill, E.C. 4
October 20 1924

Credit Simpson & Brown
18. Temple Avenue EC

GOLD { SOVS £ / HALF SOVS £ }						
SILVER				5	2	6.
COPPER					12	.
TREASURY NOTES { 20s. £ 18 / 10s. £ }				18	.	.
				—	—	-
OTHER NOTES Bank of Engd.				5	.	.
TOTAL OF CASH.				28.	14	6.
CHEQUES, BILLS, P.O.'s, ETC.				87	6	5
				23	7	6.
				127	3	4
	M. Order			3	6	7.
	P. O's :-					
		12	6			
		6	.			
		3	.	1	1	6.

Received by

Paid in by DCW £ 270 19 10.

as the cheque is printed *or Order*, the drawers, to make it payable to bearer, would have to cross through the words *or Order*, substitute the words *or Bearer* and initial the alteration. Any material alteration to a cheque once it is written out requires confirmation by the drawers. The banks prefer the full signature to initials as confirmation of any material alteration. If the cheque had been drawn to order and uncrossed, or drawn to order and crossed simply *& Co.* or *& Company* (*i.e.* crossed *generally*), or drawn to *Bearer* and either uncrossed or crossed generally, the payees could cross it specially to themselves—e.g. *a/c Finch & Walker, Midland Bank, Ltd., Leadenhall Street, E.C.*, and it would then be paid only in accordance with the crossing. If the cheque were drawn payable to *Finch & Walker . . . or Order*, and crossed generally, and the payees, instead of collecting it through their bankers, transferred it to one of their creditors, say James Phelps, the transfer could be effected by the payees endorsing the cheque, and handing it to James Phelps when the cheque becomes payable to bearer, or by the payees endorsing it

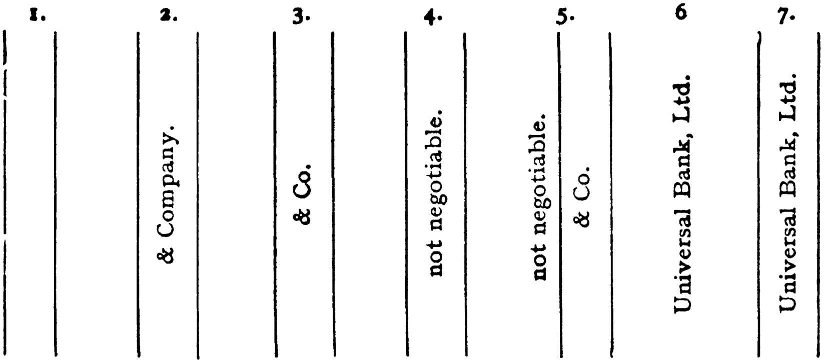
Pay to the order of James Phelps,
Finch & Walker.

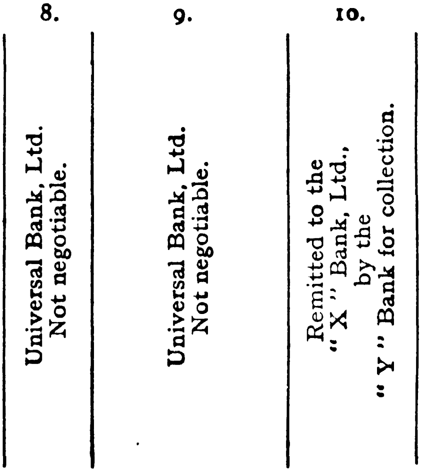
when the cheque is still an order cheque requiring the new payee's endorsement before the bank will pay it. If the cheque were drawn to *Finch & Walker . . . or Bearer*, and crossed generally or uncrossed it could be transferred to James Phelps by delivery alone. Cheques may therefore be negotiated by simple delivery, if payable *to Bearer*, or by endorsement and delivery if payable *to Order*. But as already pointed out, the transference of cheques from one to another is not a practice which business men should follow.

Crossings. A few specimen crossings are shown at p. 305.

The drawer of a cheque may cross it either generally or specially. If uncrossed any holder may do the same. If the drawer cross it generally any holder may cross it specially. Either the drawer or holder may add the words " not negotiable " to a crossed cheque. A banker to whom a cheque is crossed specially may cross it again specially to another banker for collection, and he may cross to himself any cheque sent to him for collection which is uncrossed or crossed generally.

Banker and Crossed Cheques. A crossing is a material part of a cheque and no person may obliterate the crossing. When paying a cheque a banker must have regard to the crossing. If he pays it in a manner inconsistent with his duty he is liable to the true owner of the cheque. But he is not liable if the crossing is obliterated or altered in such a way that the change is not apparent, nor is he liable to the true owner if he receive payment for a customer of a cheque crossed generally or specially to himself in good faith and in the ordinary course of business, and without negligence.


1.
2.
& Company.
3.
& Co.
4.
not negotiable.
5.
not negotiable.
& Co.
6
Universal Bank, Ltd.
7.
Universal Bank, Ltd.


8.
Universal Bank, Ltd.
Not negotiable.
9.
Universal Bank, Ltd.
Not negotiable.
10.
Remitted to the
"X" Bank, Ltd.,
by the
"Y" Bank for collection.

The first five are general crossings, the second five special crossings. Various expressions such as, "Under £10 pounds," "A/c Payee," "A/c John Smith," are often added to any of these crossings, but they have no statutory sanction. The words "not negotiable" are either placed within or without the crossing as in Nos. 4 and 5. If written outside the lines the words must appear in proximity to the parallel lines. The student will notice that No. 6 has the name of a bank without the two parallel transverse lines. This is a valid crossing.

Drawing Cheques. The drawing of a cheque requires great care. No *open* cheques should be given as, should they fall into wrong hands, they are more easily cashed than crossed cheques. A cheque should be written in bold, plain writing, and the correct title of the payee given. Do not make the cheque payable to *Messrs. Brown & Co.* when the real name of the firm is *Messrs. James Brown & Co., Ltd.* Be careful, too, about variant spellings of Christian names and surnames—e.g. *Smith, Smythe, Smyth ; Davies, Davis ; Thompson, Thomson, Tomson ; Phillips, Philips , Johnson, Johnston, Johnstone.* In writing the amount of the cheque in words, place them as close together as possible, especially such words as—e.g. *six pounds*—too large a space between *six* and *pounds* would give an opportunity for the insertion of *ty*, thus making the cheque payable for *sixty pounds.* The same remarks apply to the figures. Commence the figures as near the £ sign as possible, and, to prevent the insertion of any other figures, leave as little space as you can between the figures. See also that the words and the figures agree.

On some statements of account directions appear as to how cheques are to be drawn—*e.g.*,

> *Cheques should be made payable to the Company, and crossed Lloyds Bank, Ltd.*

Generally, however, the drawer of a cheque is sufficiently safeguarded if he cross the cheque and mark it *not negotiable,* or *payee's account only,* adding, where known, the name of the payee's bank.

Endorsing Cheques, Bills, etc. Care must be taken to see that the endorsements are in proper form. A cheque or bill made payable to " Jane Webster " and endorsed " Mrs. Webster " would not be paid on presentation. It would be returned on receipt to be correctly endorsed " Jane Webster." Similarly a cheque made payable to the order of " Messrs. White & Co." would not be paid if endorsed " J. White & Co.," or one drawn to the order of " Jones & Co." paid if endorsed " Jones Brothers," or one payable to the order of " J. Browne " paid if endorsed " J. Brown." The endorsement must in all cases be the same as the description on the face of the cheque. Where, however, the inaccurate description leaves little doubt as to the identity of the payee, the cheque will usually be paid if endorsed according to the inaccurate description, and with the correct title of the firm underneath.

Precautionary Measures with Inward Cheques, etc. All Cheques, Postal Orders, Money Orders, Demand Bills, should be *crossed* by the cashier on receipt, if this has not already been done by the customer remitting them. This crossing is usually effected by means of a rubber stamp, *e.g.*,

A/c Macdonald & Evans
Westminster Bank, Ltd.
21 Lombard Street, E.C.3

In this way misappropriation is prevented. Cheques and Bills should not, however, be *endorsed* till the time for paying them into the bank comes round. As a general rule all cash articles should be paid into the bank as soon after receipt as possible. Some firms make it a practice to pay in only once or twice a week, but the larger firms pay in once or twice a day, and this is the only safe and businesslike course to adopt. All money, no matter in what form received, should be paid into the banking account. The practice of utilising cheques received for the discharge of debts, a practice sometimes followed by traders, generally by those in a small way of business, has many disadvantages and not infrequently leads to actual loss.

Dishonoured Cheques. A banker will refuse to pay a cheque in any one of the following circumstances:

(1) When he has knowledge of the Bankruptcy of the drawer or that the drawer has committed an Act of Bankruptcy.
(2) When he has received notice of the drawer's death.
(3) When the balance to the credit of the drawer is insufficient to meet the cheque.
(4) When the drawer has instructed the banker not to pay the cheque.
(5) When the cheque is incorrectly drawn, *e.g.* when words and figures differ, or when the cheque reveals some other informality.
(6) When he has been served with a garnishee order, *i.e.* an order issued by a court of law, placing a legal encumbrance on the customer's bank balance.
(7) When the cheque is presented for payment long after its date.

Cheques, payment of which is refused by a banker, are marked as follows:

I/F=Insufficient Funds; R/D=Refer to Drawer; N/S=Not Sufficient Funds; Not in Order; Words and Figures Disagree; No effects; Account closed; Drawer Dead, etc.; and returned to the payee, who should immediately inform the drawer of the dishonour and take whatever steps are necessary to obtain or enforce payment. As with all other Bs/E (see *Legal Definition of Cheque* below) the drawer of a cheque is entitled to notice if the bank dishonours it. But when the drawer has insufficient funds to meet the cheque notice of dishonour is excused. The Institute of Bankers recommend that all comments on cheques be written in full.

Mutilated Cheques. Cheques torn into two or more pieces or otherwise mutilated will not be paid. Such cheques must be returned to the senders and new cheques obtained in their stead. If, however, the cheque is torn, but not quite into two pieces, it would usually be paid, but the banker is quite entitled to return such a cheque.

Cheques where words and figures differ. Cheques wherein the amount expressed in words and figures differ are paid only for the smaller amount. Some bankers, indeed, decline to pay such cheques at all.

Post-dated Cheque. A post-dated cheque—*i.e.* a cheque dated forward—will not be paid till the date indicated on the face of the cheque. Where such cheques are offered it is a clear indication that the person offering them is in financial difficulties—either temporary or of a more serious character. They should be regarded with caution, and failure to meet a post-dated cheque on the due date should generally be followed by the immediate commencement of legal proceedings against the drawer.

Stale Cheques. The payee or holder in due course of a cheque can enforce payment against the drawer any time within six years of its date—*i.e.* any time before recovery is barred by the Statute of Limitations—but a banker would generally decline to pay a cheque if presented long after the date of it. Such a cheque is termed a *stale cheque.* A cheque must be presented for payment within a reasonable time. What is reasonable time depends on circumstances. Where the payee and the banker on whom it is drawn are in the same town, the cheque should be presented the day after it is received.

Lost Cheques. When a cheque has been lost notice should at once be given to the drawer, with a request that payment of it should be stopped. A new cheque would be issued upon an indemnity being given by the loser. If a banker paid a cheque after receiving notice to stop payment of it he would be liable for the amount.

Marked Cheque. A marked cheque is one that a banker has initialled, thereby intimating that he has sufficient standing to the credit of the drawer wherewith to meet it when presented for payment. When the drawer of a cheque asks his banker to mark a cheque, the banker is entitled to retain money to meet the cheque, and therefore to dishonour any other cheques where the balance remaining, after providing for the marked cheque, is insufficient to cover them. This practice of marking cheques is falling into desuetude. Bankers now usually prefer to issue their own draft in exchange for the cheque.

Relationship between Banker and Customer. A banker must be very careful that he does not refuse payment of his customer's cheques except for valid reasons, otherwise he lays himself open to an action for damages, since a dishonoured cheque has a ruinous effect upon the drawer's credit. The relationship between a banker and his customer is, in general, that of Debtor and Creditor, and the banker contracts to pay back on demand the sum he owes the customer, and to honour his cheques so long as he is debtor, and to the extent of his indebtedness.

Forged Cheques. If the signature of the drawer is forged, and the banker pays out the customer's money on the authority of the forged signature, the banker cannot *usually* debit his customer with the money paid out. But in certain circumstances the banker can debit his customer with a forged cheque. For example, if the drawer, by his conduct, has induced the banker to believe that the forged signature was a genuine one. He is not, however, bound to know the signature of an endorser, and if the endorsement to a cheque is forged and the banker pay the cheque, he is entitled to debit his customer's account with the amount.

Legal Definition of Cheque. A cheque is a Bill of Exchange drawn on a banker payable on demand.

For further information on the subject of Banking, the student is referred to Mr. H. P. Sheldon's two books, "Elementary Banking," and "The Practice and Law of Banking."

TEST PAPER XXIII.

1. Mention three advantages which a trader derives from the Banking system.
2. Mention three advantages accruing to the mercantile community through the use of cheques.
3. What are the preliminaries to be observed before a banker will open an account with a prospective customer ?
4. Explain as fully as you can why the use of cheques is safer than the use of cash.
5. Explain what is meant by a Pass Book and a Pay-in Book. Why should the bank balance shown by a customer's Cash Book and his Pass Book not always agree ? What ought a customer to do in cases of disagreement between the two balances ?
6. Enumerate the kinds of accounts a customer may run with his banker and explain the purpose of each. Do bankers usually allow interest on all these accounts ?
7. Name the different kinds of payments into a bank. What is the collective name given to these different kinds of payments in ? Consult the Pay-in Slip given on p. 303 and then make up an imaginary Pay-in Slip from the following particulars. Westminster Bank Ltd., credit of

Lyle and Watts, December 29, 1934. Country cheques: £101 10*s.* 9*d.*; £18 10*s.* 7*d.*; £97 5*s.* 4*d.*; P.O.s: 7*s.* 6*d.*, 6*s.*, 5*s.*, 4*s.*, 3*s.* 6*d.*, 3*s.* 6*d.*, 2*s.*, 1*s.* Town cheques: £187 10*s.* 9*d.*; £216 10*s.* 7*d.*; Bank Notes, 2 @ £10, 3 @ £5, 6 @ £1; M.O. £4, £3 7*s.* 6*d*.

8. Explain the following: Open Cheque; Bearer Cheque; Order Cheque; Crossed Cheque. Draw in your own name an open cheque on Lloyds Bank in favour of J. W. Thompson, the cheque form being printed "or bearer." Explain what you would have to do to convert the cheque into (*a*) an "order" cheque; (*b*) a "crossed" cheque.

9. Explain what is meant by (1) a general crossing; (2) a special crossing. Give two examples of a "general" and three examples of a "special" crossing.

10. Explain what is meant by (1) Negotiability; (2) Transferability, and state as fully as you can the effect of crossing a cheque "not negotiable."

11. What is meant by "endorsing" a cheque? When does a cheque require endorsement? Suppose a cheque were drawn "Pay Robert Green . . . or order" and Robert Green endorsed it "Pay Hubert Grimes or order—Robert Green" would the cheque require endorsement by Hubert Grimes or would it be a "bearer" cheque requiring no endorsement?

12. Name the three parties to a cheque. If the cheque in question 11 were drawn by Grisewood and Co., what are the respective positions of H. Grimes and Grisewood and Co.?

13. Mention some points to be observed when drawing cheques and when endorsing cheques.

14. Mention the circumstances under which a banker would refuse to ay a cheque.

15. Explain the following: I/F; R/D; N/S. Give other formulæ used by bankers when refusing to pay a cheque.

16. What is a "marked" cheque; a "post-dated" cheque; a "stale" cheque?

17. Explain the general relationship between a banker and his customer.

18. Give the legal definition of a cheque and explain the position of a banker if he pays a cheque on a forged signature or on a forged endorsement.

CHAPTER XV

BILLS OF EXCHANGE AND PROMISSORY NOTES, DRAWING BILLS, ETC.

As a general rule, one party to a contract can only assign his rights under the contract to a third person, subject to any existing rights against him which the other party to the contract may have. Thus, if you had lent me the sum of £100, and I had supplied you with goods on credit to the value of £30, and you were to sue me for the £100, I should have the right to set off the £30 you owed me against the £100 I owed you, and you could only recover £70. Therefore if you assigned or transferred your debt of £100 to a third person (and you could only do this by writing and giving me notice that you had assigned your debt) and this third party were to sue me for the £100, I should still have the right to set off your debt of £30 against the £100 I owed, and he, too, could only recover £70. *Negotiable Instruments are exceptions to this general rule.*

A Negotiable Instrument is a document containing a contract, to the ownership of which document are attached all rights under the contract. Whoever is in *bona fide* possession of such a document is presumed to be the lawful owner of it, and therefore entitled to enforce all rights under the contract. The document, and with it all rights under it, is, as stated on p. 304, transferred, or negotiated, either by mere delivery, or by delivery accompanied by endorsement, and the person who takes it in good faith and for value, takes it free from any rights which might be enforced against the person from whom he takes it, and free from any defect in the title of such person.

Examples of Negotiable Instruments. Bills of Exchange, Cheques, Promissory Notes, Bank of England Notes (10*s*., £1 and £5, etc.), Dividend Warrants, Debentures payable to Bearer, are negotiable instruments. Certain instruments are negotiable by the custom of merchants, which custom is recognised by the Courts. Such instruments include foreign and colonial bonds, expressed to be transferable by delivery, and scrip certificates which entitle the bearer to become a holder of such bonds or of shares in a company, and probably other instruments to which the character of negotiability has been attached by decision of the Courts.

BILLS OF EXCHANGE

Uses of Bills of Exchange. (1) *Like cheques they obviate the necessity for the employment of large sums in specie* with its attendant loss and danger. In the case of *inland bills, i.e.* bills both drawn and payable in the United Kingdom, the Channel Isles and the Isle of Man, this is no greater advantage than that afforded by cheques. But in the case of *foreign bills, i.e.* bills drawn at home and payable abroad, or bills drawn abroad and payable at home, or bills drawn abroad, payable abroad but negotiated in this country, it is a greater advantage, for the greater the distance to which money has to be remitted the greater the possible risk and loss in respect of transit expenses.

(2) *They facilitate the settlement of international obligations.* Frenchman No. 1 sells to Londoner No. 1 goods to the value of £1000. Londoner No. 2 also sells to Frenchman No. 2 goods to the value of £1000. Instead of Londoner No. 1 sending £1000 to Frenchman No. 1 and Frenchman No. 2 sending £1000 to Londoner No. 2, Frenchman No. 1 draws a B/E on Londoner No. 1 for £1000, sells the bill to his banker, who resells it to Frenchman No. 2, who remits it to Londoner No. 2, who then presents it for payment to Londoner No. 1. Thus the two sets of transactions are settled by a single Bill, and no money actually passes between the two sets of traders, but only between the two Londoners. In effect therefore the import of Londoner No. 1 has been paid for by the export of Londoner No. 2. For the sake of clearness the fact of France and Britain using different moneys or currencies has been ignored, but this in no way affects the principle of the settlement.

The cheque system has not been so highly developed on the continent as in Great Britain. Hence Bills of Exchange are frequently made to serve the purpose for which cheques would be used here, and it is a common thing to see the backs of continental bills covered with endorsements, and sometimes, so numerous are they, that resort has had to be made to a slip of paper, of the same width as the bill and pasted upon it, in order to accommodate the endorsements. Such a slip is termed an *Allonge,* and the first endorser on the allonge adopts the precaution of making part of his endorsement appear on the bill itself and part on the allonge.

(3) *They offer an easy means of recovering the use of capital.* Credit transactions involve the locking up of money or capital with consequent loss to the seller, who, if the money were in his own possession, could use it either to extend his business transactions, or place it *on deposit* with his banker, and earn interest upon it at the bank's rate for deposits. One of the aims of every trader is to keep as much of his capital as possible at his own command, or, as it is called, in a *liquid* state. If a trader sells his customer, for cash, goods to the value of £10 the actual cost of which to him is £8, he recovers his cost price and makes a gross profit of £2 on the transaction, and he makes this gross profit of £2 as often as he can turn the recovered cost price of £8 into goods of the value of £10 and sell them. Suppose he does this twenty times in the course of a year, he then makes a yearly gross profit of £2 × 20 = £40, on his capital of £8. But if instead of selling for cash, he agrees to give his customer three months' credit he can only utilise the recovered cost price of £8 four times in the year, and thus his annual gross profit would be £2 × 4 = £8. Should he desire to realise the annual gross profit of £40 he must employ a capital of £40. But the buyer equally with the seller desires to retain his capital at command; hence he endeavours to obtain from the seller as long a term of credit as he can. Thus to meet these rivals demands—the seller's demand for cash and the buyer's demand for credit (in other words, the retainment of the use of cash)—the Bill of Exchange is pressed into service. Reverting to the illustration where the seller gives his customer three months' credit for a purchase of £10, it is clear that if the goods were transferred by the seller to the buyer on the 1st day of January, the seller would not recover the use of the capital outlay involved, viz. £8, till the 1st day of April. To obviate this he, on the 1st day of January, draws a Bill of Exchange on his customer for £10, payable on the 1st day of April, which the customer accepts and returns to him, and then he discounts or sells the bill to his banker, for its face value, less the banker's charge for discounting, which we will take to be 5 % In exchange therefore for the £10 due to him on April 1, the seller obtains immediate possession of the amount, less 5 % for three months = £10 — 2*s.* 6*d.* = £9 17*s.* 6*d.*, while at the same time the buyer retains the £10 due for the full term of the credit allowed to him by the seller.

(4) *They consolidate debts and facilitate recovery in the event of default.* By accepting a Bill of Exchange, *i.e.* by signing his name across the face of the bill, a debtor acknowledges the existence of

the drawer, the genuineness of his signature and his authority and capacity to draw. Hence, having accepted a bill, a debtor cannot afterwards deny any of these things. The account in settlement of which a bill is drawn and accepted is cleared away, and the Bill of Exchange takes its place. A creditor can at once take action upon a dishonoured bill, and may recover the amount of it, interest on the amount (usually 5%) from the day payment fell due, and the expenses of noting and protest if incurred. Similarly a cheque is an acknowledgment of indebtedness, and the payee of a dishonoured cheque may at once proceed against the giver of it.

Legal Definition of a B/E. A Bill of Exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to, or to the order of a specified person, or to bearer.

Here is an ordinary form of Bill of Exchange:

1/-
stamp

£100 LONDON, *January* 15, 1934.

Three months after date pay to Mr. John Brown the sum of One Hundred Pounds, value received.

WILLIAM WHITE.

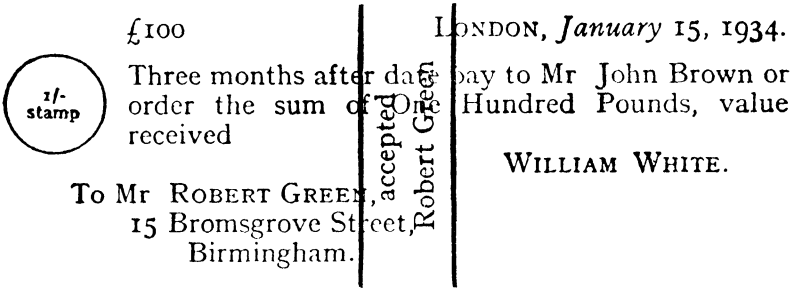
To Mr. ROBERT GREEN,
15 Bromsgrove Street,
Birmingham.

It will be noticed that there are three parties to every B/E, *i.e.* in the above bill:

(1) the person who addresses it to another, viz. William White—the *drawer* of the bill.
(2) the person to whom it is addressed, viz. Robert Green—the *drawee* of the bill.
(3) the person to whom William White requires Robert Green to pay the money, viz. John Brown—the *payee* of the bill.

It frequently happens, however, that the drawer and the payee of a bill are the same person, as *e.g.* in the bill on p. 326, where Kingsford & White are both drawers and payees, since they require the money to be paid to themselves and not to a third person.

Accepting a Bill. Looking at the example given above it is clear that, as the bill stands, Robert Green is under no liability whatever as regards it. Any person could draw such a bill. Before it can be of any value as evidence of a contract, Robert Green must consent to become a party to it. He consents to become a party to the bill by *accepting* it, and he usually accepts the bill by writing across the face of it the word "accepted," and underneath this word his name "Robert Green." His signature is, however, the vital thing, as it is immaterial whether he does or does not write the word "accepted." When Robert Green has accepted the bill it becomes what is known as an *acceptance*, and Robert Green is called the *acceptor* of the bill. The bill then appears as follows:



£100 LONDON, *January* 15, 1934.

1/- stamp

Three months after date pay to Mr John Brown or order the sum of One Hundred Pounds, value received

accepted

Robert Green

WILLIAM WHITE.

To Mr ROBERT GREEN,
15 Bromsgrove Street,
Birmingham.

(1) A bill may be accepted before it is signed by the drawer.

(2) It is usual to state that the bill is for "value received," but these words are immaterial, as every bill is presumed to have been given for value until the contrary is proved.

(3) The absence of a date does not invalidate a bill, and any holder may insert what he believes to be the true date when it is omitted; neither does the absence of the address of a drawer in any way invalidate a bill.

(4) A bill must be for a "sum certain" in money. It is, however, none the less a sum certain because it is required to be paid with interest, or by stated instalments, or at an indicated rate of exchange. If the sum be expressed both in words and in figures and the words and figures differ in amount, the sum denoted by the words is the amount payable.

(5) Unless the bill be made payable to bearer, a payee must be named, or otherwise indicated with reasonable certainty. A payee may be described by his office, *e.g.* "Pay to the Secretary of the Gas Light and Coke Company."

Tenor of Bills. The time within which a bill is payable is called its *tenor*. A bill must be payable:

(1) *On demand.* "At sight" or "on presentation" have the same meaning. Or:

(2) *at a fixed future time. See* above for example. Or:

(3) *at a determinable future time. See* p. 331 for example.

Note. A bill may be made payable at a fixed time after the happening of an event which is certain to happen, *e.g.* "Two months after my death, pay," but a bill cannot be made payable at a time contingent on the happening of an event which may never happen, *e.g.* " Thirty days after arrival of s.s. *Arabia* at Liverpool."

Modes of Accepting. An acceptance may be either

(1) general, or (2) qualified.

(1) A *general acceptance* is one without any qualification which varies the effect of the bill, as *e.g.* the acceptances shown on pp. 315 and 326.

Note. An acceptance to pay at a particular place, as in the bill on p. 326, is a general acceptance unless the acceptance expressly states that the bill is to be paid at that place, and only at that place.

(2) A *qualified acceptance* is one which by its terms varies the effect of the bill as drawn. It may be (*a*) a *local* qualification, or (*b*) a *conditional* qualification, or (*c*) a *partial* qualification, or (*d*) a qualification *in time*.

E.g. Kingsford & White's bill, p. 326.

If Anderson & Sons had accepted it " payable only at Lloyds Bank, Wolverhampton " = local qualification.
If " payable on safe arrival of s.s. *Venus* " = conditional ,,
If " accepted for £50 " instead of for the amount for which it is drawn, viz. £105 10s. 9*d*. = partial ,,
If payable "Two months after date" instead of as drawn, viz. "One month after date" = time ,,

Note. The drawer of a bill may and generally would refuse to take a qualified acceptance, and would treat the bill as dishonoured if he could not obtain an unqualified acceptance.

Dishonour of Bill. A bill is drawn with the intention that the drawee shall become a party to it, and eventually pay it. If a drawee refuses to accept a bill when presented to him for acceptance he is said to *dishonour* it, and if he refuse to pay a bill which he has accepted when it is presented to him for payment he *has dishonoured* it. A bill payable at a fixed time, *e.g.* the bill on p. 326, need not be presented for acceptance, but only for payment. In commercial practice, however, it is usual to present such a bill for acceptance, and this is the prudent course to adopt. But a bill drawn after sight, *e.g.* that on p. 331, must be presented for acceptance in order to fix the date of payment

Negotiation of a Bill. When a bill is drawn and has been accepted, or even before it has been accepted, it is in the usual course handed to the payee. Thus, in the case of the bill on p. 315, William White may first send the bill to Robert Green for acceptance and then hand it over to John Brown, or send it in the first instance to John Brown and leave him to present the bill to Robert Green for acceptance.

A bill may be drawn payable to A.B., or A.B. or order, or to bearer, or to "A.B. or bearer." If it be made payable to A.B. the effect is the same as if it had been made payable to "A.B. or order," or " to the order of A.B." The payee, or any one to whom the bill is endorsed who is in possession of it, or the bearer of the bill, is called the *holder* of the bill. A " holder " is not the same as a " holder in due course."

Endorsement of Bill.* An endorsement may be either (1) *special*, (2) *in blank*, (3) *restrictive.*

A special endorsement is one wherein the endorser specifies the person to whom the bill is payable. As *e.g.* " Pay to the order of Robert Adams—John Winterburn," or " Pay to Robert Adams—John Winterburn." The bill is still a bill " to order " and must be negotiated by endorsement and delivery. An endorsement in blank consists only of the name of the endorser, *e.g.* " John Winterburn." A bill endorsed in blank becomes a bill payable to bearer and may be negotiated by delivery only. A restrictive endorsement is one prohibiting the further negotiation of a bill, *e.g.* " Pay John Williams only," or " Pay John Williams for the account of Simpson & Brown," or " Pay John Williams or order for collection."

A Holder in Due Course. Any one who has taken a bill under the following conditions is termed a *holder in due course* :

(1) That the bill was complete and regular on the face of it.

(2) That it was taken before it was overdue, and without notice that it had been dishonoured (if such was the fact). The date shows whether a bill is overdue or not. A bill payable on demand is deemed to be overdue when it has been in circulation an unreasonable time. Any person who takes a bill under other circumstances is not a holder in due course but merely " a holder," and as such he has no better title to it than had the person from whom he took it.

(3) That it was taken in good faith and for value, and without notice of any defect in the title to it of the person from whom it was taken.

A Holder in Due Course may sue upon the bill in his own name, and he holds it free from any defect of title of the person from whom he took the bill or of any party to the bill.

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* An alternative spelling of " endorsement " is " indorsement."

Forged Signature to Bill. A forged signature has no value, and no one can obtain a right to retain a bill, or give a discharge for it, or enforce payment of it, through a forged signature. Thus, if a bill payable to order is stolen from the payee and the thief forges the payee's signature and negotiates the bill the endorsee acquires no rights in the bill. But when the signature of the drawer is forged, an acceptor cannot set up this forgery against an innocent holder, for he is not allowed to deny the genuineness of the signature of the drawer to a bill which he has accepted.

Payment of Bill. The Holder of a bill must duly present the bill for payment. Otherwise the drawer and acceptor are, as a rule, discharged from liability.

Presentment for payment must be made at the proper place at a reasonable hour to the person who is bound or authorised to pay, and by or on behalf of a person entitled to payment. When a place of payment is specified in the bill, that is the place for presentment. When no place of payment is specified, but the address of the acceptor is given, that address is the proper place of payment. In other cases, the bill should be presented at the acceptor's place of business, if known, or, if not known, at his residence ; or, failing either, to him personally wherever he can be found, or at his last known place of business or residence. Delay in presentment for payment is excused when the delay is not due to default or negligence on the holder's part, and is dispensed with altogether under some circumstances which need not be specified here.

Days of Grace. When a bill is payable on demand presentment must be made a reasonable time after its issue, but a bill *not payable on demand* must be presented on the day on which it matures or falls due. The day is ascertained by adding three *days of grace* to the time of payment fixed by the bill, and the bill is due and payable on the last day of grace. If that day falls on a Sunday, Christmas Day, Good Friday, or any day appointed by Royal Proclamation as a public feast or thanksgiving day, the bill is due and payable on the *preceding business day* If the last day of grace falls on a Bank Holiday, or on a Sunday and the second day of grace is a Bank Holiday, the bill is due and payable on the *succeeding business day*. In reckoning time, the day from which the time is to run is not counted, but the day of payment is counted. Thus, a bill payable in three months after sight, accepted on 1st March, is payable on 4th June. " Months " always mean calendar months. No days of grace can be claimed on bills payable on a certain date " fixed." For example, a bill drawn payable "On 12th April, 1924, fixed," falls due on that day. When reckoning days of grace no account must be taken of "lacking" days For example, a bill dated 31st January at one month after date falls due on 3rd March.

Liability of Acceptor. The acceptor of a bill is the party primarily liable upon it. By accepting the bill he undertakes to pay it according to the tenor of his acceptance, and in so doing he makes certain acknowledgments (*see* p. 313). If he dishonour the bill by refusing to pay it he may be sued upon it. He can seldom have any defence against a holder in due course, except in the case of forgery, but he may have a good defence against a holder who is not a holder in due course. If he accepts the bill without consideration that is no defence against a holder in due course, and it makes no difference that the holder in due course knew that the acceptor received no consideration for the bill. (*See* Accommodation Bills, p. 336.)

Liability of Drawer and Endorsers. By drawing a bill the drawer engages that on due presentment it shall be accepted and paid, and that if it be dishonoured he will compensate the holder, or any endorser who is compelled to pay it. The endorser is in a similar position to the drawer, and engages to compensate any endorser subsequent to him who has been compelled to pay the bill. Neither drawer nor endorser is liable till the bill is dishonoured, as each only undertakes liability in the case of dishonour, therefore neither of them is liable unless and until he is given due notice of dishonour.

Notice of Dishonour. Notice of dishonour must be given within a reasonable time of the dishonour to the drawer and endorsers, as the drawer and any endorser not receiving such notice is discharged from liability. If a bill is dishonoured by acceptance being refused, and notice of dishonour is given, it is not necessary subsequently to give notice of dishonour by refusal of the drawee to pay. Where the holder of a dishonoured bill resides in the same town as the drawer the notice should be given to reach the drawer some time on the day after dishonour. When they reside in different towns notice should be given by the first convenient post after the day of dishonour. Delay may be excused when the delay arises from circumstances outside the control of the holder, *e.g.* mistakes of the post office. And notice may be dispensed with altogether under some circumstances.

Order of Liability. First the acceptor is liable, then the drawer, and then each endorser in the order in which he endorsed. Where several endorsements appear on a bill each endorsement is deemed to be made in the order in which it appears on the bill, unless the contrary is proved. This is the order of liability as between themselves, but the holder of a dishonoured bill has the right to call upon any endorser he chooses to pay the bill, and to sue if payment is refused. Any endorser, however, who is compelled to pay the bill has the right to make any other endorser above him repay him. Thus the liability may be forced back to the drawer, who must compensate any endorser who has paid, and finally to the acceptor, who must compensate the drawer. But in every case notice of dishonour must be given by the holder or any endorser to the person from whom he intends to recover the amount of the bill. The holder of a bill payable to bearer negotiating the bill by delivery, and not by endorsement and delivery, is under no liability as a party to the bill, but he does, however, warrant to any one giving him value for the bill that it is a good bill, and that at the time of negotiating he is not aware of any fact which makes the bill worthless.

Principal and Agent.

1. No person is liable as a party to a bill who has not signed it as such ; but if a person sign a bill in a trade or assumed name he is liable just as if he had signed his own name.

2. If a partner sign the name of his firm the firm is liable, and each partner is liable to the same extent as if he had signed, provided the partner signing was acting within the scope of his authority.

3. An agent signing for his principal and signing his own name only is personally liable on the bill and the principal is not liable, nor does the addition of a descriptive title affect the position, *e.g.* on a bill signed " John Wells, Agent," John Wells is liable and his principal is not. Similarly on a bill signed

$$\left.\begin{array}{l}\text{Thomas Wilson}\\ \text{Andrew Elliot}\end{array}\right\}\text{Directors of the Standard Electrical Co., Ltd.}$$

Wilson and Elliot are jointly and severally, *i.e.* separately, liable, and the Standard Electrical Co., Ltd. are not. If, however, the person signing a bill clearly indicates that he signs only in a representative capacity and on behalf of a principal he is not personally liable on the bill. In such a case the liability of the principal depends on the scope of the agent's authority. If the agent exceeded his authority in so signing he is liable to an action for damages, but not as a party to the bill. A signature by procuration operates as notice that the agent has only a limited authority, and such signature binds the principal only as far as the agent's authority extends. In such cases the agent usually writes the name of his principal and then his own name preceded by the abbreviation *p.p.* (or *per pro.*), thus:

Arthur Somerville & Sons
p.p. (or *per pro.*) John Abernethy.

Discharge of Bill. A bill is discharged when all rights of action upon the bill have become extinguished; it may be discharged:

(1) By payment in due course, *i.e.* payment by the acceptor at or after maturity in good faith to a holder without notice of any defect in his title.

(2) When, by circuity of action, the acceptor himself becomes the holder of a bill at or after its maturity.

(3) When the holder renounces his rights against the acceptor, either in writing or by delivering up the bill to the acceptor.

(4) When the bill is intentionally cancelled by the holder, and the cancellation is apparent. Similarly, a holder may discharge any party liable on the bill by intentionally cancelling his signature—such cancellation has the effect also of discharging all endorsers who endorsed subsequently to the signing by the party whom a holder has intentionally discharged.

(5) When a bill is materially altered without the consent of all parties liable upon it, all parties are discharged except a party who has made, consented to, or authorised the alteration, and any parties who endorse after the alteration. A material alteration is an alteration of date, of amount, of the time of payment, or of the place of payment.

Intervention for Honour. When a bill has been protested for dishonour by non-acceptance, and is not overdue, any person who is not already liable on the bill may, with the consent of the holder, intervene and accept the bill for the honour of any person liable upon it. This is called *acceptance for honour supra protest.* Such an acceptance must be written on the bill, and must indicate that it is an acceptance for honour. By such an acceptance the acceptor undertakes to pay the bill according to the terms of his acceptance, provided:

(*a*) that the bill is duly presented to the drawee for payment;
(*b*) that payment is refused by him;
(*c*) that the bill is protested for non-payment;
(*d*) that the acceptor has notice of the fact.

When these conditions are fulfilled the bill must be promptly presented to the acceptor after maturity ; otherwise the acceptor is discharged from liability.

Similarly, any person may intervene and pay a bill for the honour of any party liable upon it. This is called *Payment for honour supra protest.* In order that such payment should have effect as a payment of the bill for honour, and not merely as a voluntary payment, the transaction must be certified by a notary. The effect of such a payment is to discharge all parties subsequent to the party for whose honour it is paid, but the person who pays has all the rights of a holder of the bill, against the party for whose honour he paid, and against all parties liable to that party. The person who intervenes is named upon the bill by the drawer, or the acceptor, or an endorser writing the direction :—

In case of need apply to
(e.g.) *John Wilkes & Co.,*
13 *Newgate St.,*
London, E.C. 1.

John Wilkes & Co. would be intimately acquainted with the person making the direction and be willing to act on his behalf, and thus save him from the stigma of having his bill dishonoured.

PROMISSORY NOTES

Legal Definition of Promissory Note. "A promissory note is an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay on demand, or at a fixed or determinable future time, a sum certain in money, to, or to the order of, a specified person or to bearer," *e.g.*,

£60 LONDON, *June* 26, 1934.

9d. stamp

Two months after date I promise to pay Mr. James Bowden or order the sum of Sixty Pounds.

JAMES WILLIAMSON.

In a promissory note there are only two parties—the maker (James Williamson) and the payee (James Bowden). A note for less than £5 payable to bearer on demand is void in England. The law as to a promissory note is the same as that for bills of exchange, but the law as to acceptance, presentment for acceptance, acceptance supra protest and bills in a set has no application to notes, and when a foreign note is dishonoured protest is not necessary. Promissory notes are not much used in business.

Joint Notes. A promissory note made by more than one maker is a joint note, and the makers may be jointly liable or jointly and severally liable, according to the wording of the note. If the note begins, "We promise to pay," and is signed by two or more persons it is a joint note. If it begins, "I promise to pay," and is signed by two or more persons it is a joint and several note. If the makers are jointly and severally liable, one may be sued alone, and a judgment against him, if not satisfied, does not discharge any other maker.

Liability of Maker. The maker of a note cannot deny to a holder in due course the existence of the payee or his capacity to endorse. The maker is the person primarily responsible for payment, whereas the drawer of a bill is usually only conditionally responsible.

Notes Payable on Demand. A note payable on demand may be enforced by the original payee at any time within the Statute of Limitations, but if the note be endorsed it should be presented for payment within a reasonable time of the endorsement, otherwise the liability of the endorser is discharged, though the liability of the maker is not affected.

Presentment for Payment. If a certain place is expressed in the body of a note as the place of payment, the note must be presented at that place. Otherwise presentment for payment is not necessary in order to render the maker liable. But to render an endorser liable presentment for payment is necessary, and when a note in the body of it is made payable at a particular place, presentment for payment must be made at that place. Should the note be dishonoured notice of dishonour must be given to the endorser.

Bank Notes. A bank note is a promissory note made and issued by a banker payable to bearer on demand. Notes are issued in this country by the Bank of England for 10s., £1, £5, £10, £20, £50, £100, £200, £500, and £1000, and by Scotch and Irish Banks. The aggregate note issues of the last two are, however, small compared with that of the Bank of England. Formerly, many English Country Banks issued bank notes, but the right of issue has lapsed in England and Wales. Messrs. Fox, Fowler and Co., the last of these Country banks of issue to survive, lost the right, when in 1921 they were absorbed by Lloyds Bank, Ltd. Bank of England notes for 10s. and £1 have taken the place of the Currency notes. The latter were substituted for the gold coins which used to form the chief currency of this country. Bank notes for 10s. and £1 are legal tender in England, Scotland, and N. Ireland for any amount, but the notes of the banks of issue in Scotland and N. Ireland are not legal tender, although they are an important part of the currency in the countries of issue.

I O U. These letters form the recognised contraction for "I owe you." An I O U is an acknowledgment of a debt containing no specified date for repayment, usually given as a voucher for, or evidence of, a temporary loan for a small sum. The following is the common form :

I O U
Ten Pounds
August 13, 1934. ROBERT JAMES.

An I O U as above requires no stamp, and the name of the creditor, though it sometimes appears, is not necessary. Any specification of a due date added to the above would convert it into a promissory note, and render it inadmissible as evidence unless stamped as such. An I O U is not a negotiable instrument.

Stamping Bills of Exchange :

Inland and Foreign Bills.

If payable on demand or at sight, or within three days date or sight. For any amount	2*d*.

The stamp may be embossed or adhesive ; if adhesive it must be cancelled by the drawer of the bill.

Bills of exchange of any other kind whatsoever (except a bank note) and promissory note of any kind whatsoever (except a bank note) drawn or expressed to be payable, or actually paid or endorsed, or in any manner negotiated in the United Kingdom where the amount or value of the money for which the bill or note is drawn or made :

Does not exceed £10	2*d*.
Exceeds £10 and does not exceed £25	3*d*.
„ £25 „ „ £50	6*d*.
„ £50 „ „ £75	9*d*.
„ £75 „ „ £100	1*s*.
For every £100 and also for any fractional part of £100 of such amount or value	1*s*.

If interest is expressed to be payable, that does not affect the stamp duty. For example, a bill for £75 payable with interest at 6 % would take a 9*d*. stamp.

Bills of exchange drawn and expressed to be payable *out* of the United Kingdom, when negotiated in this country, are, if *over* £50 *and under* £100, liable to a stamp duty of 6*d.* If the amount exceeds £100 the stamp duty is 6*d.* for every £100 or part of a £100. If the amount is under £50 the rates are the same as for inland bills.

DRAWING BILLS, ETC.

I will assume that Messrs. Kingsford and White's ledger clerks have just finished making out the quarterly statements of account.

(1) There are a number of both town and country accounts usually settled by bills at 1 month, including that of Robert Anderson and Sons, Wolverhampton, £105 10*s.* 9*d.*

(2) The need of ready money being somewhat urgent one of the principals has selected several accounts of large amount and instructed the cashier to arrange for settlement by bill at 1 month. The account of James Braid and Co., Glasgow, £328 10*s.* 9*d.* is one of these.

(3) There are a number of accounts due from Continental customers including that of Fratelli Verdi, Milan, Lire 8500.

(4) A number of accounts due from Colonial customers, including the account of Walker and Watts, Sydney, N.S.W., £268 10*s.* 9*d.*

I will also assume that the cashier has in his portfolio:

(5) An account sales showing a balance of £150 10*s.* 9*d.* due to May Bros., of Melbourne, and

(6) Three advices that drafts have been made on the firm as follows:

MM. Fournier & Cie, Paris, @ sight for fcs. 1086.75.
Chas. Broomhead and Sons, New York, @ 30 days' st. for $ 868.50.
Messieurs Blanc et Cie, Paris, @ 30 days' st. for fcs. 3,000.

The bills included in (1) to (4) are, as concerns Kingsford and White, termed *Bills Receivable*; those in (5) and (6) *Bills Payable.* The bills receivable will be entered with full particulars in the *Bills Receivable Book*, and the bills payable will similarly be entered in the *Bills Payable Book.*

Bills Receivable (1) *Robert Anderson & Sons,* £105 10*s.* 9*d.*

This being an inland bill—*i.e.* a bill both drawn and payable in the British Islands—a single bill, or as it is termed, a *Sola of Exchange* is all that is necessary. A bill for £105 10*s.* 9*d.* @ 1 month requires a 2*s.* embossed stamp. The clerk will therefore select a bill form stamped for that amount and proceed to draft the bill and afterwards get it signed by his principal. The bill will then present the following form:

No. 1867. £105 10*s*. 9*d*.

LONDON, *2nd April*, 1934,
15-20 Crutched Friars, E.C.

2/- stamp

One month after date pay to *our* Order
One Hundred and Five Pounds Ten Shillings and Ninepence. Value received.

KINGSFORD & WHITE,
J. Kingsford.

To Messrs. Robert Anderson & Sons,
18 Queen Street,
Wolverhampton.

He will then address a letter to Anderson & Sons:

DEAR SIRS,—Herewith we beg to hand you statement of account to March 31 last amounting to £105 10*s*. 9*d*., which we trust you will find correct. As usual we enclose a bill @ 1 month for the amount, which please be good enough to accept and return in due course.—Yours faithfully, etc.

On receipt of the statement and bill, Anderson and Sons' clerk will verify the account, and, if in order, submit the bill to his principals for acceptance. The bill, having been accepted, will then present the following appearance:

No. 1867. £105 10*s* 9*d*.

LONDON, *April* 2, 1934.
15-20 Crutched Friars, E.C.

One Month after date pay to *our* Order
One Hundred and Five Pounds, Ten Shillings and Ninepence. Value received.

KINGSFORD & WHITE,
J. Kingsford.

To Messrs. Robert Anderson & Sons,
18 Queen Street,
Wolverhampton.

accepted
payable at Lloyds Bank
Wolverhampton
Robert Anderson & Sons.

Note. The words "payable at Lloyds Bank, Wolverhampton," indicate what is termed the *domicile* of the bill or the place of payment. The above bill is said to be *domiciled* at Lloyds Bank, Wolverhampton.

When the bill has been accepted and returned to Kingsford and White, three courses are open to them:

(*a*) They may place the bill in their bill case and hold it till maturity (the date of maturity will be May 5—*i.e.* one calendar month from April 2, and 3 days of grace beyond), endorse it and pay it into their bankers for collection, say on May 3, to ensure its presentment at Lloyds Bank, Wolverhampton, on the actual due date, May 5.

(*b*) They may discount the bill with their bankers and immediately have the proceeds credited to their account. In that case the bill must be endorsed by Kingsford and White to the order of the discounting bank. The bill will then become the property of the bank, and the amount of it can be recovered from the drawers by the bank in the event of its being dishonoured by the acceptors.

(*c*) They could negotiate the bill by endorsement and delivery to one of their creditors. Assuming the creditor to be John Bruce, the endorsement would run:

" Pay to the order of John Bruce,
Kingsford & White,
J. Kingsford."

Or the bill might be negotiated by an endorsement in blank, but negotiation of bills is not general in commercial practice.

From what has been assumed, however (the need of ready cash), they will take the second course and discount the bill.

It may be well to point out here that contrary to what the student is told in some books the *discount* of a bill is not *interest* on the bill. It is slightly more than interest. For supposing the rate of discount on a 1 month's bill for £1000 to be 4 %, the bill discounter will charge 4 % on £1000 for 1 month = £3 6*s*. 8*d*. But the amount credited to the customer is £1000 less £3 6*s*. 8*d*. = £996 13*s*. 4*d*., and 4 % interest on that amount for 1 month is £3 6*s*. 5*d*.

It should also be mentioned that in practice an inland bill, except when drawn on demand or at short notice—*e.g.* 3 days—is sometimes not signed by the drawers till *after* its acceptance and return by the drawees. Inland bills are usually drawn " on demand," or at a greater or less number of days or months after date.

(2) *James Braid & Co., Glasgow*, £328 10*s*. 9*d*. It has not been the custom for these debtors to accept a bill. Hence a letter must

first be sent asking their concurrence. The following would serve the purpose:

DEAR SIRS,—We enclose you herewith quarterly statement to end of March last amounting to £328 10*s.* 9*d.* It would be a convenience if instead of remitting by cheque as usual you would kindly accept our bill at 1 month for the amount. Awaiting the favour of your reply, we are, etc.

If James Braid and Co. consented to this course (some firms object to accepting bills), the bill would be prepared, and the procedure followed exactly as described, the only difference being that the bill would require a 4*s.* bill stamp.

(3) *Fratelli Verdi, Milan, Lire* 8500. In the case of continental customers settlement is usually effected by bill, either by the debtor remitting a bill on London, or the creditor drawing. I will assume the latter, though less frequent, course is followed. The bill might be drawn, and then forwarded to Verdi for acceptance and return to the drawers, but most probably Verdi would not see the bill till it was presented to them for acceptance by the collecting bank. In this case the bill might be drawn in duplicate, *i.e.* a first and second of exchange. Continental Bills are still sometimes drawn in duplicate, though the safety and regularity of the post almost renders this course unnecessary, except in comparatively speaking unsettled countries. Lire 8500 at 90 lire to the £ sterling is £94 8*s.* 9*d.*, this being the current rate of exchange. The first of exchange must therefore bear a 1*s.* stamp; the second will be unstamped. When the bill had been prepared it would appear as follows:

No. 1900. Lire 8500. LONDON, *2nd April,* 1934.
15-20 Crutched Friars, E.C.

1/-
stamp

Thirty days after *date* of this *First* of Exchange, *Second* of the same tenor and date unpaid pay to the order of Banca Commerciale Italiana the sum of Eight Thousand Five Hundred Lire. Value received.

To Fratelli Verdi.
Via Torino,
Milan.

KINGSFORD & WHITE,
J. Kingsford.

The Second of Exchange would be exactly as above except that it would read: "Thirty Days after date of this *Second* of Exchange *first* of the same tenor and date unpaid." The First and Second of Exchange pinned together would then be sent to the manager of the Banca Commerciale Italiana with a covering letter:

DEAR SIR,—Herewith we beg to hand you thirty days' draft in duplicate on Fratelli Verdi of Milan for Lire 8500. Kindly collect same and place the proceeds to our credit in due course (or kindly collect same and favour us with proceeds in due course).—Yours, etc.

Note. The first form of words would be used if the Banca Commerciale Italiana made advances against bills held for collection; the second, if they remitted as the drafts were collected.

The Bank would then formally acknowledge receipt of the draft. Care must also be taken to advise Verdi that the draft has been made, otherwise they might refuse acceptance. The following would be an appropriate form of advice:

DEAR SIRS,—We forward you herewith statement of account to March 31 last amounting to Lire 8500, and beg to advise you that we have to-day drawn upon you at thirty days through the Banca Commerciale Italiana for the amount. Kindly honour our signature on presentation, and oblige.—Yours faithfully.

(*a*) If Kingsford and White had been debtors to other Italian firms they would in all probability have drawn bills upon Verdi to the aggregate amount of their indebtedness in favour of these Italian creditors and thus transferred the money due from their debtor to their creditors. In this case, however, the proceeds of the bill are to come to them, so they draw the bill to the order of the collecting bank. The Banca Commerciale Italiana will endorse the bill to their Milan office, send it there, and the Milan office will present the bill to Verdi for acceptance, hold it till maturity and then present it for payment. The London office will be advised of its payment and will then either remit to Kingsford and White the equivalent of Lire 8500 at the rate of exchange at which the draft was collected, or place the proceeds to the credit of their account, whichever may be the arrangement. Assuming the rate of exchange to be £1 = Lire 90, the equivalent in sterling would be £94 8*s*. 9*d*. But from this amount the commission of the collecting bank must be deducted, so that the sum credited or remitted to Kingsford and White would be somewhat less than this.

(*b*) Bills are usually drawn on Continental cities on demand, or at so many days or months after date. In this case the bill is drawn at 30 days, so that it will mature for payment on May 2.

(*c*) The reason for drawing the bill in duplicate is to provide an alternative to the original should it miscarry. The second of Exchange is termed the *Secunda Via*, and is forwarded, as the name indicates, by a subsequent mail to the original (*see* p. 184 for a few points respecting this matter).

(*d*) Kingsford and White would probably, seeing that they have a large foreign connection, obtain advances from the Banca Commerciale Italiana on the bills held by them for collection. Advances are usually made up to two-thirds of the face value of the bills (*see* p. 333).

(4) *Walker & Watts, Sydney, £268 10s. 9d.*

(5) *May Bros., Melbourne, £150 10s. 9d.*

In this case it would obviously be the easiest way to settle these accounts by sending May Bros. a draft for £150 10s. 9*d*. on Walker and Watts of Sydney, and then drawing on Walker and Watts for the balance of £118.

Bills drawn on remote countries are drawn in triplicate. A bill drawn in triplicate is said to be *drawn in a set*. As with bills in duplicate the original only is stamped.

All the parts of such a bill constitute but one bill, and only one part is presented for acceptance. If two or more parts were presented and accepted and got into the hands of different holders in due course, the acceptor would be liable on each to the holder of that part Also if the holder were to endorse two or more parts to different persons he would be liable on each part. If the acceptor were to pay the bill without requiring the part he accepted to be delivered to him he might be required to pay it again, if it were in the hands of a holder in due course. Except in such cases payment of a part discharges the whole bill. The First of Exchange is forwarded by one mail, the second by a succeeding mail, and the third is usually retained by the London office of the collecting bank.

When drawn the bills would present the following appearance:

No. 1910. £150 10*s.* 9*d.* LONDON, *2nd April*, 1934,
15-20 Crutched Friars, E.C.

2/-
stamp

Thirty Days after sight of this First of Exchange, Second of the same tenor and date unpaid pay to the order of Messrs. May Brothers the sum of One Hundred and Fifty Pounds Ten Shillings and Ninepence. Value received.

To Messrs. Walker & Watts,
18 Little George Street,
Sydney, N.S.W.

KINGSFORD & WHITE,
J. Kingsford.

In this case a duplicate bill would be sufficient—the duplicate being forwarded to May Bros. by the following mail. The Second of Exchange would read "Thirty days after sight of this Second of Exchange First of the same tenor and date unpaid, etc."

No. 1911. £118 0*s.* 0*d.* LONDON, *2nd April*, 1934,
15-20 Crutched Friars, E.C.

2/-
stamp

Thirty Days after Sight of this First of Exchange, Second and Third of the same tenor and date unpaid, pay to the Order of the Union Bank of Australia, Ltd. the sum of One Hundred and Eighteen Pounds. Value received.

To Messrs. Walker & Watts,
18 Little George Street,
Sydney, N.S.W.

KINGSFORD & WHITE,
J. Kingsford.

The Second of Exchange would run, "Thirty Days after sight of this Second of Exchange First and Third of the same tenor and date unpaid, etc.," and the Third of Exchange would run, "Thirty Days after sight of this Third of Exchange First and Second of the same tenor and date unpaid, etc."

Letters of advice would be required in both cases; to May Bros. as follows:

DEAR SIRS,—Herewith we hand you account sales for shipment ex *Sulieman* 24/2/1934, showing balance in your favour of £150 10*s.* 9*d.*, in settlement of which we enclose you herewith First of Exchange at 30 days on Messrs. Walker and Watts of Sydney.—Yours faithfully, etc.

And to Walker and Watts as follows:

DEAR SIRS,—We enclose you herewith usual quarterly statement to the end of March last amounting to £268 10*s.* 9*d.* We have drawn upon you in settlement as follows:

@ 30 days' st. for £150 10*s.* 9*d.* in favour of Messrs. May Bros. of Melbourne.

@ 30 days' st. for £118 through the Union Bank of Australia.

Commending both drafts to your kind protection.—We are, etc.

Kingsford & White's letter to the Union Bank of Australia would be similar to their letter to the Banca Commerciale Italiana.

Note (*a*) The above drafts have been drawn at 30 days' st. Drafts on remote countries are usually drawn payable at sight or on demand or at so many days or months after sight. The reason for this will be apparent to the student who reflects that transit to Sydney occupies 32 days, and that a bill drawn at say 30 days' date would be overdue before it reached the drawees. The drawees are generally entitled to time in which to meet the draft, so it is drawn payable at a variable period of time after sight or acceptance.

(*b*) As soon as May Bros. receive the draft on Walker and Watts they forward it to them by post and ask them to accept and return it. On this being done they have the option of the three courses mentioned on p. 327.

(*c*) The collection of the draft on Walker and Watts is effected by the Union Bank of Australia in the same way as the Banca Commerciale Italiana collected the draft on Fratelli Verdi.

From these typical examples it will be seen that the Bill of Exchange has enabled Kingsford and White to obtain possession of a large part of their capital, represented by goods sold, long before they otherwise would. They have (1) discounted inland acceptances held by them, (2) obtained advances on bills out for collection, and (3) cheaply and easily paid some of their foreign and colonial creditors. They are, of course, liable to the bank, and to creditors paid by bill drawn on their customers, for any bills that may be dishonoured, but every trader runs the risk of default by his customers; against this they lose the discount charges, interest charges for money advanced against bills for collection, and the banker's commission for collecting the bills. These charges lessen their net profits but the convenience of immediate cash is sufficient compensation.

Collecting Foreign and Colonial Bills. Firms who do a large foreign and colonial trade as in the imaginary case of Kingsford and White do not send their foreign bills to their general bankers for collection, but draw them to the order of selected banks doing business in the country on which the bills are drawn and having London offices. Thus Bills may be drawn in favour of Banks as follow :

Continental . .	The Crédit Lyonnais.
Australian . .	The Union Bank of Australia.
New Zealand . .	The National Bank of New Zealand, Ltd.
South African . .	The Standard Bank of South Africa.
West African . .	The Bank of British West Africa.
Canadian . . .	The Bank of British North America.
Indian . . .	The National Bank of India.
United States . .	Brown Shipley & Co., Ltd.
South America .	British Bank of South America, Ltd.
Chinese . . .	The Hong Kong & Shanghai Banking Corporation, Ltd.
Japanese . . .	The Yokohama Specie Bank.

Half-yearly or quarterly Dr. or Cr. statements are rendered by the banks showing the amounts advanced against the bills and the amounts collected (each collection is also advised as effected). Interest usually at 6 per cent. per annum is charged out against each advance and credited against each collection from the time either was made to the close of the period covered by the statement. Generally the banks advance up to two-thirds of the face value of bills sent for collection (*see* " Modern Commercial Correspondence," by J. K. Grebby, p. 213, for correspondence *re* bills). If the bills were remitted as collected no half-yearly statements would be rendered, but only the slips setting forth particulars of each collection.

Bills Payable. Having dealt with the bills receivable, the three bills payable, advices of which are in the hands of Kingsford and White's cashier, now claim attention. For convenience I will assume that all the bills are presented on the same day and by the same bank—Lloyds Bank, Ltd. As soon as he received the advices the cashier turned up the accounts of the three creditors and satisfied himself that they were entitled to draw. Assume that they were The three bills are in the hands of the bank either drawn to their order, or endorsed to their order by the foreign banks from whom they received them. All the bills are in foreign currency. The first thing the bank does is to convert the bills at the exchange of the day into sterling, and write the rate of exchange and the new amount immediately above the amount in the foreign currency. Say the new amounts are as follows:

Fournier's bill at sight frs. 1086.75 @ 124 = £8 15*s.* 3*d.*
Broomhead & Sons 30 days' st. $868.50 @ 4.87 = £178 6*s.* 9*d.*
Blanc et Cie, 30 days' sight, fcs. 3000 @ fcs. 124 = £24 3*s.* 10*d.*

The bank then hands the bills with others to a clerk termed a *Walks clerk,* in whose district Kingsford and White's offices are situated. The Walks clerk carries these bills in a satchel, which for safety is attached by a chain to his person. He proceeds to Kingsford and White's counting house, takes out the three bills and calls: " Bills for Acceptance!" The second and third bills he will leave with the cashier, but the first he must get accepted at once. As the amount is small the cashier will probably say, " I'll pay this in cash." The Walks clerk will then write out a receipt for £8 15*s.* 3*d.* on the back of the draft and hand it to the cashier against the cash. He will then enter the payment in his book, and so far as that bill is concerned the transaction is closed. The following day the Walks clerk again presents himself. This time he calls " Bills left!" In the meantime the cashier has impressed a stamp across the face of the two bills left, reading somewhat as follows:

Sighted 10th April 1934
Accepted payable at the
Westminster Bank, Ltd.,
21 Lombard St., E.C. 3.
Kingsford and White,

and obtained Mr. Kingsford's signature to the acceptance. He asks for particulars from the Walks clerk, who then states the amounts of the bills and the name of his bank. The bills are then handed to him, he looks at the acceptances to see if they are in order, places them in his satchel and delivers them to his superiors at the bank, who hold them till maturity. All that the cashier has to do now is to see that on May 13, the due date both for Broomhead & Sons' and for Blanc's draft, there is sufficient money to the credit of the firm's account with the Westminster Bank to meet the drafts. He does this by daily reference to the bills payable book, where full particulars of all acceptances are entered, and to his Cash Book. The acceptance of a draft by a bank's customer operates as authority to the banker to pay it on presentation and to debit his customer's a/c. But in cases where it is not usual for a customer to accept bills a banker would require the customer to advise him that an accepted bill was to be paid on presentation. In the vast majority of cases drafts are paid, like cheques, by bankers without advice.

Dishonouring Bills. Suppose now that in the case of Broomhead of New York who drew at thirty days' st. for $868.50 the cashier found that (1) the amount due was only $300 or (2) that the goods had been rejected because they were inferior to sample, or (3) that the agreed credit was six months, whereas, allowing for the thirty days, the credit only worked out at three months, or (4) that there was an overdue contra account against Broomhead of £100, or (5) there was any other reason which would justify the dishonour of the bill. Immediately on discovery of the facts the cashier would send Broomhead a statement of them and politely intimate that the bill could not be accepted. Nevertheless it would be on the way, and when it was presented by the Walks clerk the cashier would return it unaccepted with the remark that it was " out of order." The following day it would be represented by a *notary* public, usually a solicitor, one of whose functions is to certify the presentation and dishonour of bills. To him would be given the reason for dishonour. He would then write upon a little slip of paper printed with his name (or his firm's name) and address, the date, the words " out of order," and the amount of his fee for noting the bill, and return the bill to the bank with the slip attached to the bill. The bank would then advise their New York correspondents of the non-acceptance of the bill and ask for instructions. In this case the instructions would probably be to return the bill. But if the bill had wrongfully been dishonoured the instructions would be to protest the bill. The *Protest* is a written certificate given by the notary that the bill was dishonoured. It contains a copy of the bill, specifies the person at whose request it was presented, the place, date and other particulars of the presentment, or else the fact that the drawee or acceptor could not be found. If an inland bill is dishonoured it may be noted but need not be protested, but a foreign bill must be noted and protested, otherwise the drawer and endorsers are discharged.

If Kingsford and White, having accepted the bill, had been unable to pay it, owing to want of funds at their bankers, the bill would, in that case, be protested for non-payment by the notary at the bank where the bill was domiciled—in this case the Westminster Bank, Ltd. The student will see that it is a serious thing to dishonour a Bill of Exchange, and only grave reasons can justify the act.

Had the position been the other way round, *i.e.* had Kingsford and White received a Bill of Exchange from one of their debtors, and it had been dishonoured—a bill, *e.g.*, that had been negotiated several times before it came into their possession, then immediately on receipt of advice from the bank that the bill had been dishonoured Kingsford and White must forthwith inform the drawer and the endorsers of the dishonour, otherwise they are, generally, discharged from liability. Naturally, they would first of all look to their debtor. A letter would be sent to him stating the facts and requesting immediate payment of the amount of the bill plus noting and protest charges, if the latter had been incurred, and on his paying the amount he would be entitled to possession of the bill. The endorser would, in turn, write in a similar strain to the person from whom he received the bill, and thus the liability would be thrust back from endorser to endorser to the drawer of the bill and finally by him to the acceptor.

Renewing a Bill. It may happen that the acceptor of an inland bill, anticipating his inability to meet the bill on presentment for payment, may write to the drawer asking him to renew the bill, or the bill may have been accepted on the understanding that if necessary it would be renewed. In such cases he will, as may be arranged, either pay something on account of the bill, and accept a fresh bill for the difference plus interest at 5 per cent. per annum and bill stamp for the amount and term of renewal, or renew the whole bill at interest, plus bill stamp. On receipt of the cheque and the new acceptance, or the new acceptance alone if the whole bill is renewed, the drawer will cancel the old bill and return it to the acceptor. Should the drawer have discounted the bill it will be necessary before he can return the bill to the acceptor to write to the discounting banker instructing him to return the bill and to debit his current account with the amount.

Accommodation Bills. A bill which does not represent an actual exchange of values but which is drawn by one person and accepted without consideration by another merely to enable the drawer to raise money on the bill by discounting it, is termed an *Accommodation Bill,* and the person lending his name an *Accommodation Party.* The acceptor of such a bill is not liable to the drawer by reason of lack of consideration, but if the drawer negotiate the bill for value to a third party the acceptor is liable to such third party and must pay him should the bill be dishonoured. The drawer is in turn bound to compensate the acceptor, but inasmuch as the drawers of such bills are most frequently men of straw, the acceptor usually stands a very poor chance of recovering the amount of the bill.

Sometimes both drawer and acceptor are worthless persons and a third person in good credit is induced to endorse or as it is termed " back " the bill. In this case, if the bill were dishonoured the endorser would be the sufferer. *Kites* and *Windmills* are other expressive but slang terms for such bills. Accommodation bills are not all, however, of this worthless character. There is a class of bills, termed *Finance Bills*, largely used by bankers, which serve a useful purpose in commerce.

Usance. The *tenor* at which it is customary to draw bills on foreign countries is termed the *usance*. In some books elaborate tables of usance are given. The student may safely ignore them, since variations in usance have almost disappeared. The usance for most continental countries is 3 months, for Lisbon and Oporto 90 days, for Calcutta and Bombay 30 days; for the U.S. and Canada it is variable. Drawers of bills consult their own convenience or conform to arrangements made with the firms on whom they draw. The general rule is to draw on demand, or days or months after date for continental bills; on demand, at sight or days or months after sight for Colonial bills, bills on the Far East, and bills on extra European countries generally.

Bankers' Drafts. These are demand drafts drawn by bankers on their agents or branches either abroad or in this country. They are drawn against cash deposited by the buyer at the time of purchase, or, if he have an account with the bank, against debits to current account. The purchaser hands the issuing bank particulars of his requirements (payees, city, amount), and the bills are then drawn in accordance with the requisition. Bankers charge a small commission for issuing such drafts. (*See* p. 415 for the various kinds of remittances.)

Documentary Bills. Frequently a British firm making a shipment abroad or a foreign or colonial firm exporting goods, adopts the expedient of drawing for the amount of the shipment against the shipping documents. Suppose, *e.g.*, Jones Brothers, china manufacturers, of Worcester, have made a shipment of china value £156 10s. 9*d*. to the Gordon Proprietary Ltd., of Sydney, N.S.W. They draw on the consignees either at sight or otherwise as arranged, and attach the bill to the Bill of Lading, the Insurance Policy and Invoice. The Bill is drawn in triplicate, and each copy has a Bill of Lading and copy invoice attached—only the original Bill of Exchange and Bill of Lading being stamped. The draft is endorsed to the order of the collecting bank, but the Bill of Lading is generally endorsed in blank. A slip is pinned to the draft instructing the bankers whether the documents are to be given up against acceptance or against payment of the draft. The branch of the collecting bank in Sydney presents the bill to the Gordon Proprietary Ltd., and, either on their accepting or paying the draft, according as the bank is instructed by the shipper, hands over the shipping documents to them. An importer who, to obtain possession of the goods, paid the bill before its due date would receive a *rebate* of a variable rate per cent. on the amount for the unexpired term of the bill. This is called *retiring a bill under rebate*. Any acceptor may retire a bill before its due date and secure interest for the unexpired term. A shipper frequently attaches to the bill and shipping documents a letter termed a *Letter of Hypothecation*, empowering the collecting bank in the event of the bill being dishonoured to sell the goods. This is usually done where the shipper has secured an advance from the bank against the shipment, otherwise where a consignee fails to accept or pay the documentary bill the agents of the collecting bank would telegraph for instructions. An exporter would not, of course, ship goods even on these terms of comparative security unless he had confidence in the consignees. Since the collecting banker does not advance the full value of the shipment to the shipper, he is fully covered ; but should there be any deficit he could recover it from the drawers of the bill. The wording of Documentary Bills is no different from that of ordinary bills, and the elaborate particulars and instructions sometimes shown in specimen documentary bills given in some books, though appropriate enough in the days of sailing ships, are no longer to be found on these bills.

India Council Bills. The Indian Government has, during every year, to remit to the India Office of the British Government many millions of pounds for interest on loans and for the upkeep of the civil and military forces in India. The currency of India is a silver currency, but these charges must be met by India in sterling. Instead, therefore, of purchasing and remitting drafts payable in London in sterling, or shipping silver bullion and selling it at the market price, the Indian Government periodically advises the British Government of the sum ready for remittance, and the India Council thereupon offers Bills on the Indian Treasuries (Calcutta, Bombay, Madras) payable in India in rupees. Discount houses and bankers here, who have to remit to India, tender for these bills, which are allotted to the highest bidders, and pay for them in cash. In this way the indebtedness of India to the British

Government, which is payable in sterling, is cancelled against the remittances due in India in silver by the British mercantile community. But *see* p. 424.

Telegraphic Transfers (T.T.s). Instead of Bills on the Indian Treasuries, bankers and others may purchase Telegraphic Transfers, which may be regarded as cheques, since the orders to pay, instead of taking from 14 to 16 days to reach India, as in the case of bills, are transmitted by telegraph in the course of a few hours. T.T.s are also in general use between Great Britain and other countries. (*See* p. 390.)

Bank Post Bills (B.P.B.s). Until recently in every weekly return of assets and liabilities made by the Bank of England there appeared on the Debtor side an item " Seven Day or other Bills." These were bills issued by the Bank at 7 days free of charge to the public. They were drawn by one branch upon another branch of the Bank, and afforded a convenient way of remitting money from one part of the country to another. But the cheque system has superseded the use of B.P.B.s, and this item no longer appears in the Bank Return. See p. 383.

Letter of Credit (L/C). There are various kinds of these instruments. One kind is a letter addressed by one banker to another requesting the banker to whom the letter is addressed to hold at the disposal of a named third party a specified amount of money, and to charge the issuing banker with the total amount of all cheques honoured or payments made on the authority of the letter. Another kind of Letter of Credit authorises the person named in the Letter to draw bills on the issuing banker at the tenor and up to the amount stated in the Letter, the issuing banker on his part promising to accept all bills drawn in accordance with his instructions. This kind of Letter of Credit is usually issued for a specified period, generally not longer than six months. If the Letter undertakes the acceptance of bills without conditions, it is termed an " Open " or " Clean " Letter of Credit. If the promise to accept is a conditional one, viz. that the documents of title to the goods in respect of which the bills are drawn shall be sent to the issuing bank together with the bills for acceptance, the letter is called a Documentary Letter of Credit Both these kinds of Letters of Credit contain a stipulation that the amount of all cheques or bills drawn under them shall be endorsed upon them, so that the Letters always show how much of the credit remains available. Another kind is called a Marginal Letter of Credit, and is so named because on the margin of the actual bill form to be used is a letter detailing the terms of drawing and acceptance. This letter must not be detached from the bill portion of the document. Drawings against Letters of Credit exert some influence on exchange movements, particularly during the holiday months, as the amounts disbursed by the foreign bankers, plus their commission as agents, must be covered by the banks issuing the Letters of Credit.

It was formerly the custom for merchants to issue Letters of Credit on other merchants abroad with whom they were connected in favour of partners, travellers, and other accredited representatives. The extension of banking facilities has made this form of L/C unnecessary.

Exchange as per Endorsement. As a rule, bills on places abroad are drawn in England in sterling, and it is necessary for the foreign drawee, and for others who may become parties to the bill, to know how much must be paid in the currency of the drawee to discharge the bill. It is often indicated on the face of these bills that they are payable at a rate of exchange to be specified in the first endorsement, which is generally that of a London banker or broker.

The endorsement is in the following form :

" Pay X. Y. or order, at the rate of .... for £1 sterling."

The sterling amount is converted into the foreign currency at the indicated rate, and the amount as converted is written on the face of the bill, and takes the place of the amount in sterling. The foreign drawee is advised of the rate of exchange at which conversion has been made, and so knows precisely what he has to pay. By thus constituting a London banker or broker the impartial referee both for drawer and drawee of the rate of exchange, the English drawer when he sells his bill obtains its full sterling amount ; he is spared the trouble of quoting prices in foreign currencies, and shifts the speculative part of the bargain on to the foreign buyer. The phrase should be used when the bill is intended to be sold, and not when it is sent for collection, at maturity. It is often put on Colonial bills drawn and paid in sterling, and then the banker's charges for negotiating the bill are added to its amount. Nowadays the practice of inserting this phrase in sterling bills drawn on foreign centres is decreasing, for fluctuations in the rates of exchange have been so marked during recent years that foreign drawees have sometimes refused to pay the currency equivalent of the bills when the rate of exchange has become unfavourable to them at the time of payment. Generally speaking the phrase binds the drawee, and as often as not he benefits from the fluctuations in exchange.

At the present time the greater proportion of bills drawn in sterling bear one of the following clauses :

"*Payable at* $\left\{\begin{array}{c}\textit{banker's}\\ \textit{the X.Y. Bank's}\end{array}\right\}\left.\begin{array}{c}\textit{selling}\\ \textit{drawing}\end{array}\right\}$ *rate for* $\left\{\begin{array}{c}\textit{sight bills}\\ \textit{demand drafts}\end{array}\right\}$ *on London on date of payment.*"

" *Payable with approved banker's cheque on London for full face value.*"

" *Payable at banker's selling rate for Telegraphic Transfers on London on date of payment.*"

"*Payable at* $\left\{\begin{array}{c}\textit{banker's}\\ \textit{the X.Y. Bank's}\end{array}\right\}$ *buying rate for sight* $\left\{\begin{array}{c}\textit{bills}\\ \textit{drafts}\end{array}\right\}$ *on London.*"

In the first three cases the sterling amount is received in London by the drawer or seller, and, at maturity, the foreign drawee must lay down in his centre sufficient of his own currency to purchase the requisite sight or T.T. remittance on London for the face value of the bill. The drawee is thus enabled to make his own bargain for the remittance, and he may, of course, arrange the settlement to his own advantage by a forward purchase of sight exchange on London in the way explained in a later chapter. The procedure thus differs from that when " *Exchange as per Endorsement* " is used, because in the latter case the rate paid by the drawee is fixed impartially by someone in London.

The third clause given above is largely used in bills drawn on Eastern countries and on South America, whilst bills on the Colonies having a sterling currency usually bear one of the first three clauses. The last clause is used when a bill is drawn in this country in favour of a payee abroad, who obtains payment from the drawee bank at the latter's *buying* rate for London bills, the exact amount paid against the bill depending on whether the exchange on London is at par, or at a premium or a discount.

Other forms of extra wording found on bills are as follows :

With Banker's charges added. These words provide that the acceptor of the bill, in addition to paying the amount of the bill, shall also pay the banker's charges for collecting it.

With Exchange added or *With Exchange and Banker's charges added.* Drawers of bills in sterling expect to receive the exact amount for which the bill is drawn. These words provide that the banker shall collect the bill at such a rate of exchange as shall produce the full sterling value of the bill. Any loss on exchange is thus borne by the acceptor, and not by the drawer of the bill.

Sans Frais = without expense. These words are sometimes added to Continental bills in cases where the drawers have reason to believe that the bill will not be met. They are an instruction to the bank not to incur noting or protest charges. But inasmuch as the meaning of the words is well known to the drawees a better course is not to mark the bills " sans frais " but to give the collecting banker separate instructions as to the course he is to follow in the event of dishonour.

Sans Recours = without Recourse. These words placed alongside an endorsement exempt the endorser from liability in the event of the bill not being paid. An agent endorsing on behalf of a principal could appropriately use them.

Purchasing Bills from Bankers and Bill Brokers. Where a merchant has to remit money abroad, and has no debtors on whom he can draw in his creditor's favour, he can always obtain bills and cheques on foreign cities from his bankers or bill brokers. He buys the cheques or bills at the current rates of exchange. (See *Foreign Exchanges, p.* 409.)

Average Due Date. On June 1 a merchant owes to one of his creditors as follows:

£120 due July 1.
£200 „ Aug. 15.
£180 „ Sept. 16.

He desires to settle all the bills by one payment at one time. When should he make the payment so that neither he nor his creditors suffer any inequality in respect of interest ? Find the number of days between June 1 and the date when each bill respectively falls due=31, 76, 108. Multiply the number of days before the first bill is due by its amount, and deal similarly with the other bills = 120 × 31 + 200 × 76 + 180 × 108 = 38, 360. Divide the total by the sum of the bills = £500. Hence the average or *equated time* from June 1, when the bills could fairly be paid by one sum of £500, is about 76¾ days, which gives August 16 as the average due date. This rule only applies where compound interest is involved, and when all the bills are due to one creditor.

TEST PAPER XXIV

1. Define a " Negotiable Instrument " and give as many examples of such instruments as you can.

2. Mention four advantages attaching to the use of Bs/E, and show how they are used to finance general trade.

3. Give the legal definition of a B/E. How many parties are there to every B/E, and by what names are they known ?

4. What do you understand by (1) accepting; (2) endorsing a bill? What is meant by the " tenor " of a bill ?

5. There are two kinds of acceptances. State what they are.

6. In what particular does a contract evidenced by a B/E differ from an ordinary contract ? Name the different kinds of endorsements of B/E and give examples of each.

7. What do you understand by the negotiation of a B/E ?

8. Explain " days of grace." Is the custom of allowing days of grace universal ? Suppose an inland bill is drawn on June 30 payable 2 months after date, when is it due ? If it were drawn on June 18 and payable at 10$^d/_d$ when would it be due ? If it were drawn " on demand " when would it be due ?

9. Differentiate between a " Holder " of a bill and a " Holder in due course " of a bill.

10. Who is primarily liable on a B/E ? What is the position of a drawer of a B/E and of an endorser of a B/E.

11. Distinguish between " Inland " Bs/E and " Foreign " Bs/E. Is there any difference in the procedure followed, in the event of dishonour, of an inland and a foreign bill ?

12. What do you understand by " Intervention for Honour "; " Acceptance for Honour supra Protest " ; " Payment for Honour supra Protest " ; and how would you, the holder of a bill, act if it were returned dishonoured and were marked " In case of need with Brown Dobson and Co., 186 Strand, London." What is the position of any " case of need " who pays a dishonoured bill ?

13. Define " Promissory Note." How does a P/N differ from a B/E ?

14. What is a " Joint " Note and a " Joint and Several " Note ?

15. Define " Bank Note." In what particulars do notes issued by the Bank of England differ from those issued by Scottish and Irish banks ?

16. What is an IOU ? Is it a negotiable instrument ? Need it be stamped ?

17. Give the scale for stamping Bs/E (both Inland and Foreign) and state the difference, if any, between stamping Promissory Notes and Bills of Exchange.

18. On April 15, Winterbottom and Co., of 15 High Holborn London, draw a B/E at 1 m/d for £186 14*s.* 11*d.* on Simmons and Co., of Wheelergate, Nottingham, payable to Barrett and Sons of Liverpool. Show the bill; advise Simmons and Co. that the bill has been drawn; send it to Barrett and Sons. Show your covering letter; explain what Barrett and Sons would do when they receive the bill; show Simmons and Co.'s acceptance of the bill, which they domicile at Lloyds Bank, Nottingham; state the due date and also the day when Barrett and Sons would hand the bill to their bankers for collection.

19. What is an Accommodation Bill and what are the liabilities of the parties to it ?

20. Trace the probable course of a Foreign Bill of Exchange from its origin till its final settlement.

CHAPTER XVI

PARTNERSHIP; BANKRUPTCY; BOARD OF TRADE

PARTNERSHIP

PARTNERSHIP is defined in the Partnership Act, 1890, as "The relation which subsists between persons carrying on a business in common with a view of profit." Collectively, these persons are known as a firm, and the name under which the business is carried on is called the firm-name. In England the firm has no distinct existence from the partners of whom it is composed, but in Scotland the firm itself is a distinct legal person in the sight of the law. By the Companies Act, 1929, no partnership may consist of more than twenty persons, or in the case of a Bank of more than ten persons; when this number is exceeded there must be registration as a company.

A Partnership business is termed a *Firm*, and the Partners *Co-Partners*. The title under which they carry on the business is called the *Firm-Name*. The firm-name may be totally different from the names of any of the partners. But where the firm-name is not the names of the members of the firm, the names of the members must now be registered under the *Registration of Business Names Act*, 1916. A firm may own property, and be a party to a contract, and may sue or be sued in the firm-name. When a Partner takes an active share in the management of the business, he is then known as an *Active Partner*, in contradistinction to a *Sleeping* or *Dormant* Partner, who is equally liable with the Active Partners for the Partnership debts, unless he is a limited partner (see p. 348).

Features of Partnership. In an ordinary partnership each partner is personally liable for the whole of the debts of the partnership. It is thus very important for creditors to know whether a partnership exists between two or more persons or not. The Partnership Act carefully states what does *not* constitute a partnership, but does not assist in laying down a test as to what does constitute a partnership. The true test appears to be whether the alleged partner has power to bind the firm in the ordinary course of its business. Each partner is in effect a general agent with authority to bind his fellow partners, and if it can be shown that he has such authority, that is strong evidence that he is in fact a partner and he is liable accordingly. In matters outside the firm's business he has no such authority to bind the firm.

Each partner usually contributes a sum of money called Capital to the common fund. Such contribution may or may not be of equal amounts, and frequently a partner contributes, in lieu of Capital, expert knowledge of the business which the partnership is formed to undertake.

In the absence of agreement to the contrary (see next paragraph) profits are shared equally between the partners, who must also contribute equally to losses whether of Capital or otherwise.

Other rules laid down by the Act as to the relations between partners are:

(1) The firm must indemnify every partner in respect of payment made by him in the business of the firm and in preserving the firm's property;

(2) A partner making advances to the firm over and above his capital is entitled to interest thereon at 5 per cent. per annum;

(3) No partner is entitled to interest on his Capital;

(4) Every partner may take part in the management of the business;

(5) No person may be introduced as a partner without the consent of all existing partners, but a partner may assign his share and the assignee is then entitled to receive the share of profits due to the assigning partner.

(6) Differences between the partners are decided by the majority, but no change in the nature of the business may be made without the consent of all the partners;

(7) The partnership books are to be kept at the place of business, and every partner is entitled to inspect and copy them.

The above rules only apply in the absence of provisions to the contrary in the partnership agreement.

Partnership Agreement. A partnership may be agreed upon verbally or be implied from the conduct of the parties, but usually the respective rights and duties of the members of the partnership are set forth in a deed of partnership, which is signed by all the partners. Every properly drawn partnership deed defines the arrangements agreed on with regard to (1) the nature of the business and the firm-name; (2) The duration of the partnership;

(3) Capital and the manner and proportions of contribution; (4) The drawings of the partners, and the division of profits; (5) Allowance of interest on capital and charging of interest on drawings; (6) Partners' salaries, if any; (7) The effect of the death or retirement of a partner; (8) The preparation of annual accounts.

The deed usually provides for an arbitrator to be appointed to adjudicate upon any difference arising between the parties. This avoids the expense of liquidation, which is unsatisfactory as a means of settling partnership disputes. R. Malleshaw.

Charging Order. The writ of execution will not issue against any partnership property except on a judgment against the firm. A judgment creditor of a partner may, however, obtain from the Court an order charging the partner's interest in the partnership property and profits with payment of the debt and interest, and may even appoint a Receiver of that partner's share of the profits.

Incoming and Outgoing Partners. An incoming partner is not liable to creditors for debts contracted before he became a partner. An outgoing partner remains liable for debts contracted before his retirement, but may be discharged by an agreement between the newly constituted firm and the creditors (" novation"). Persons dealing with the firm after a change in its constitution are entitled to treat the members of the old firm as liable until they have notice of change. A notice in the London Gazette is sufficient notice to persons who have not had previous dealings with the firm, but in the case of others express notice to them individually is desirable.

Death or Bankruptcy of Partner. The Estate of a partner who dies, becomes bankrupt, or retires (if not known to the creditor as a partner) is not liable to the creditor as a partner for debts contracted after his death, bankruptcy, or retirement. At the dissolution of a firm the authority of the partners continues, so far as is necessary to wind up the partnerhip, and to complete unfinished transactions.

If one of the partners is made bankrupt, the joint estate is applied in the first instance to pay joint debts, and the separate estate of each partner to pay separate debts. If there is a surplus of separate estate it is used to pay joint debts. Similarly, if there is a surplus of joint estate it is dealt with as part of the separate estate of each partner in proportion to his interest, and is used to pay separate debts.

Goodwill. Goodwill is the benefit accrued to a business through its reputation and connections, or as Lord Eldon put it: "it is the probability that the old customers will resort to the old place." Goodwill cannot be so readily bought and sold as more tangible assets, but it nevertheless often possesses real value, and when private businesses are turned into Limited Liability Companies, a large part of the purchase-money is usually accounted for by this item alone. Similarly, when a new Partner is taken into an existing Partnership he frequently, in addition to the capital he has agreed to contribute, is called upon to pay a sum of money, termed a *Premium*, in consideration of the goodwill attaching to the Partnership. This Premium is divided amongst the existing Partners of the business, in the ratio in which they share profits, and is not to be confused with the capital of the new partner, from which it is quite distinct. The old partners may take their respective shares of the premium right out of the business or allow it to remain in the business and thus increase their capital holdings.

In the case of a personal business such as that of a solicitor or doctor, goodwill forms no part of the assets, and each partner is entitled to any benefit which he may derive from the goodwill. Otherwise, upon dissolution any partner can demand that the goodwill be sold. Upon such sale there is no rule preventing the partners in the old firm from carrying on a competing business. It is, therefore, advisable for a purchaser to insist upon an express covenant from the old partners that they will not do so. The purchaser of the goodwill may without such covenant restrain the vendors from soliciting the custom of persons who were in the habit of dealing with the old firm or from representing themselves as the old firm. If the goodwill is not sold, each partner is entitled to solicit his old customers and to use the firm-name as his own.

Sometimes the goodwill is sold in consideration of a share of the profits in the new firm. In that event if the purchaser is adjudged bankrupt the vendor cannot prove for his share of profits until other creditors are paid in full.

Similarly, a person lending money to the firm in consideration of a share of profits cannot prove in competition with other creditors in the bankruptcy of the borrowers.

Holding Out. Everyone who by words or by conduct represents himself to be a partner in a firm is liable as such to anyone who on the faith of the representation has given credit to the firm. This principle of partnership law is known as "holding out," because the apparent partner is holding himself out as a partner, although he is not so in fact, and he must therefore take the consequences. This principle does not, however, apply to the case of a deceased partner whose name continues to be used in the firm-name. The use of his name in such circumstance, does not of itself render his executors or administrators liable for the firm's debts contracted after his death.

Dissolution of Partnership. A Partnership for an indeterminate period is said to be a *Partnership at will*, and can be dissolved at any time, but it is more usual to arrange a fixed time for the duration of the Partnership. A Partnership at will may be dissolved by notice, and one for a fixed term by efflux of time. According to the Partnership Act, partnership is dissolved by the death or bankruptcy of a partner, and the partnership agreement should provide against this contingency, at least in the case of the death of a partner. The Partnership may also be dissolved by order of the Court on the grounds of the insanity or permanent incapacity of, or wilful and persistent breach of the partnership agreement or misconduct by a partner. Difficulties often arise between partners, and provision should always be made in the partnership deed for a partner to retire on reasonable notice. Otherwise it may be impossible to carry on the business, and application will have to be made to the Court for dissolution.

In the event of a dissolution the Partnership Act, 1890, provides that on realisation the assets shall be applied as follows: Firstly, in discharge of debts due to outside creditors; secondly, in repayment of loans from partners; thirdly, in repayment of partners' capital. The surplus, if any, is divided in the same ratio as the profits are divided. If the assets should prove insufficient to satisfy the claims arising under the first, second, or third heads, the loss consequent upon realisation must be made up in order that the claims of the Partners as between themselves may be adjusted. In the event of bankruptcy, only the claims of outside creditors rank as liabilities against the firm.

Limited Partnerships. This kind of partnership was brought into being by the Limited Partnership Act, 1907. By this Act a person may, under certain conditions, become a limited liability partner in a firm. The conditions are: (1) He must contribute capital to the partnership, and he may not draw out any part of this contributed capital so long as he remains a limited partner; (2) he must not take any part in the management of the business, nor must he act as agent for the firm; (3) the partnership must be registered; (4) there must be at least one other partner responsible for all the debts of the firm. In such partnerships the active members of the partnership are called

" general " partners. The limited partner is entitled to a share of the profits, but is not liable for the debts of the firm beyond the amount of capital he has put into the business. In a limited partnership, the partnership is not dissolved by the death, bankruptcy or lunacy of a limited partner. Every limited partnership must be registered with the Registrar of Joint Stock Companies, and if not so registered is deemed to be an ordinary partnership in regard to all its members, whether limited or general.

The " limited partnership " may be dissolved under the Bankruptcy Act, 1914. Comparatively few limited partnerships are registered. The " private company " of two persons which was legalised by a Companies Act passed in the same year (1907) proved a more popular method of limiting liability, enabling the firm to be converted into a small limited company free from many of the penalties applicable to a public company.

BANKRUPTCY

The law relating to Bankruptcy is contained in the Bankruptcy Act, 1914, and in the Bankruptcy Rules issued by the Board of Trade for the administration of the Act. An amending Act in 1926 effected a few alterations in the law, most of which relate to offences committed by insolvent debtors in connection with the bankruptcy laws, and the penalties imposed.

Formerly, an insolvent debtor was put into prison, but insolvency has long ceased to be an offence in itself. The object of the Bankruptcy Laws is twofold: first, the distribution of the debtor's effects in the most expeditious and equitable manner possible in the circumstances; secondly, the release of the debtor in order that he may make a fresh start, when he has made a full disclosure and surrender of his property, and has not been guilty of fraud and misconduct.

Petition in Bankruptcy. The first step in Bankruptcy is to present to the Court a petition making the debtor a bankrupt. The debtor may present the petition on his own behalf, or it may be presented by a creditor, or any combination of creditors whose claim or claims amount to not less than £50. A primary condition of the petition, in both cases, must be that the debtor has committed what is known as an Act of Bankruptcy within three months of presenting the petition.

What is an Act of Bankruptcy? A debtor commits an act of bankruptcy:

(1) If he assign or convey his property to a trustee for the benefit of his creditors. Such an assignment, however, will be valid if the debtor deed of assignment is registered under the Deeds of Arrangement Act, 1914, and if the provisions of that Act are satisfied. (See p. 352.)

It is not an act of bankruptcy for a debtor to assign his property to a particular class of creditors only, provided the assignment is not for the purpose of defrauding other creditors; nor is it an act of bankruptcy to assign *part* of his property for the benefit of his creditors if it is done *without fraud.*

(2) If he make a conveyance, gift, or transfer of any part of his property in order to defeat the claims of his creditors.

(3) If he fraudulently prefer one creditor to the detriment of another by conveying any part of his property to such creditor. This only applies to voluntary payments, made with the definite intention of preferring the creditor. If it be made within three months of the petition the payment is void and the trustee can recover the money from the creditor. A payment made by a debtor under compulsion, or in the course of trade, is not fraudulent preference.

(4) If he depart out of England, or being out remain out, or in any other way absent or conceal himself in order to defeat his creditors.

(5) If he, having had judgment given against him in the High Court, does not satisfy the judgment and his goods are sold in execution of the judgment, or have been held by the Sheriff for 21 days.

(6) If he file a declaration in the Court that he is unable to pay his debts.

(7) When a creditor has obtained judgment against a debtor, and the debtor has not satisfied the judgment or compounded with the creditor, the creditor may serve him with a notice requiring him to satisfy the judgment. And if the debtor does not do so within seven days from the receipt of such notice, or satisfy the Court that he has a counter-claim exceeding the amount of the judgment, he commits an act of bankruptcy. Such a notice is termed a *Bankruptcy Notice.*

(8) If the debtor gives notice to any of his creditors that he has suspended, or is about to suspend, payment of his debts.

Who Can be Made Bankrupt? A *foreigner* can be made bankrupt only if he has lived or carried on business in England for a year before the presentation of the petition. An *infant* cannot be made bankrupt, except possibly upon a debt for necessaries. A *married woman* can only be made bankrupt if she carries on a trade or business, and then to the extent only of her separate property, not subject to restraint on anticipation. But in certain circumstances the Court may order this restraint to be removed.

Partners.—A receiving order may be made against a firm, but the adjudication in bankruptcy only against individual partners. With the above exceptions everyone is subject to bankruptcy law.

Receiving Order (R.O.) and Official Receiver (O.R.). A copy of the creditor's petition must be served upon the debtor, and a time stated when it will come before the Court. If the Court is satisfied that the conditions of Bankruptcy exist it makes a *Receiving Order*, otherwise it refuses the petition. A debtor is not made a bankrupt by the Receiving Order, but under it the debtor must hand over all his property to an official of the Board of Trade, called the *Official Receiver*, pending a decision as to how it can best be applied for the benefit of the creditors. The O.R. is a temporary trustee for the creditors. He investigates the debtor's affairs, manages the property and business of the debtor, and if he finds that the debtor has committed a criminal act arranges for his prosecution. He advertises the Receiving Order, the date of the *First Meeting of Creditors*, and the date for the *Debtor's Public Examination*. The debtor must make out and submit to the Official Receiver within seven days of the Receiving Order a sworn statement of affairs, *i.e.* his assets and liabilities and such other matters as the Official Receiver may require.

Debtor's Public Examination. Soon after the debtor has submitted the sworn statement of his affairs to the O.R. the Public Examination of the debtor is arranged for. At this examination he is interrogated on the causes of his bankruptcy, his conduct, assets, etc., and must answer all relevant questions on pain of imprisonment.

Meeting of Creditors. The O.R. presides at the First Meeting of Creditors, and communicates any proposal the debtor may have made for settling his affairs. No person may vote at this meeting unless he has previously submitted a sworn proof of his debt. The debtor must attend the First Meeting, and furnish whatever information is required. Second and Third Meetings may be arranged for, if necessary.

At the first meeting the creditors decide whether the O.R. shall continue to act as trustee or whether another trustee shall be appointed.

Composition. After the making of a Receiving Order the debtor is, in the ordinary course, declared a bankrupt. But he frequently suggests a *Composition, i.e.* he offers to pay all his creditors whose debts have been proved so much in the £ for the amount of their claim. If he does so the proposed composition must be submitted to the Court, which considers it from the point of view of its benefit to the creditors. The O.R. reports to the Court upon the debtor's conduct. If the debtor has been guilty of a criminal act with regard to the bankruptcy the Court will not consent to the composition. If he has been guilty of an act or acts not criminal (*see* p. 352) the Court will not consent to a composition of less than 5*s.* 0*d.* in the £ on all unsecured debts provable against the debtor's estate. Otherwise the proposed composition will be considered on its merits. If the Court consents to it, and the terms are carried out, the debtor is released from all further claims on the part of his creditors, but if the terms are not carried out the Court can annul the composition and declare the debtor a bankrupt.

Adjudication in Bankruptcy. If the debtor does not suggest a composition which the Court can accept he is adjudicated a bankrupt with or without the resolution of the creditors. All his property passes into the hands of a *Trustee* for the benefit of and division among his creditors. The creditors may appoint any person a Trustee—usually he is a qualified Accountant—and they may appoint from among themselves a Committee of not more than five members to control and assist the Trustee in his duty of realising the estate. The appointment of a Trustee is sometimes left to this Committee. If no Trustee be appointed by the creditors the Board of Trade appoints one. Pending this appointment of a Trustee the O.R. acts in that capacity. Any Trustee other than the O.R. must give security for the proper carrying out of his duties.

Duty of Trustee in Bankruptcy. The duty of a Trustee is to realise the estate, *i.e.* convert it into money. If the business is worth it he keeps it going and realises the goodwill. He may bring actions against the bankrupt's debtors, and compel them to pay up; and he may also defend actions against the bankrupt, if the claims are capable of being resisted, and disclaim onerous property. The Trustee must keep proper books revealing his dealings with the property, and the proceedings at meetings of creditors, and must account to the Board of Trade for all invoices received and paid. A Trustee is remunerated in a way determined by the creditors, usually by a percentage on the amount realised. If the creditors are not satisfied with his conduct of the bankrupt's affairs they may remove him. The Board of Trade may also remove him for misconduct or failure to perform his duties satisfactorily. When the estate is realised the Trustee pays all the creditors *pro rata*, according to their respective claims. The realisation of a bankrupt's estate takes time, and usually the division is not made all at once but in a series of instalments. First, Second, Third and Final *pro rata* dividends are often paid.

Committee of Inspection.—The creditors may appoint a committee of inspection to superintend the trustee in his administration of the estate. The Committee consists of not less than three or more than five. In the absence of a committee the Board of Trade exercise the necessary supervision.

Divisible Property.—The following property is divisible among creditors:

(1) All property belonging to the bankrupt at the commencement of the bankruptcy, or coming to him before his discharge.

(2) All powers of appointment which the bankrupt can exercise for his own benefit.

(3) Goods in the possession of the bankrupt in his trade or business by consent and permission of the true owner in such circumstances that he is the reputed owner.

Non-divisible property is

(*a*) The tools of a man's trade, his wearing apparel, and that of his family up to £20; and

(*b*) Property held on trust.

Preferred Creditors. The following creditors must be paid in full before the other creditors receive anything:

(1) Clerk or Servant for services rendered during four months before the Receiving Order, and not exceeding £50.

(2) Labourer or workman for services rendered during two months before the Receiving Order, and not exceeding £25.

All Rates and Taxes for 12 months before the commencement of the bankruptcy are preferential debts, and a landlord may distrain for Rent either before or after the commencement of the bankruptcy, but if he distrain afterwards he can only do so for six months' rent accrued before the adjudication, though he may prove for the balance like any other creditor. Contributions payable under the National Health Insurance Act, 1911, by the bankrupt in respect of employed contributors or workmen in an insured trade, and claims under the Workmen's Compensation Act, 1906, provided they accrued due before the date of the R.O., are also entitled to preference.

Secured Creditors. The following are *Secured Creditors*: Any creditor who has a Mortgage, Bill of Sale, Charge, or Lien on the property of the debtor. The bankruptcy does not affect the rights of such persons against the property, but of course it may or may not when realised fully satisfy the claims of the person holding the Mortgage, Bill of Sale, etc. If it does not altogether satisfy the claim, the creditor in that event turns out to be only a *partially secured creditor*, and must prove for the balance, like any other creditor.

Proof of Debts.—A creditor proves his debt by sending to the trustee an affidavit verifying the debt, together with particulars. These should be sent in as soon as possible before the first meeting of creditors. The trustee will admit or reject all proofs within 28 days after receipt, or if he has given notice of his intention to declare a dividend, within 14 days after the date mentioned in his notice, up to which proofs must be lodged. Before declaring a dividend the trustee gives notice to creditors who have proved and who have not proved, telling the latter that they must prove within a certain time. When he has realised the whole of the estate the trustee declares his final dividend and applies for his release.

Discharge of Bankrupt. A bankrupt may, at any time, apply to the Court to be discharged. The Court will, after consideration of a report upon the bankrupt's conduct of affairs, either grant or refuse the discharge. The Court will refuse to discharge him if he has committed a criminal act. If he has committed an offence not amounting to a criminal act, the Court will either: (1) Refuse a discharge; (2) suspend the discharge for not less than two years; (3) suspend it till the debtor has paid 10*s*. in the £1; (4) suspend it on condition that the debtor consents to judgment against him for the whole or part of the unpaid claims, such unpaid claims to be met out of his future earnings as the Court directs. The grounds on which the Court may either refuse or suspend the discharge are:

(1) Failure to pay 10*s*. in the £1, unless it is shown that the bankrupt was not justly to blame; (2) omission to keep proper books of account; (3) continuing to trade when he was insolvent;

(4) contracting debts without reasonable prospect of being able to pay for them; (5) culpable neglect of business, extravagant living, and rash trading; (6) failure to account for the disappearance of assets.

A discharge in bankruptcy frees the debtor from all his debts or obligations, except liability under payments in three kinds of actions-at-law, which as they lie remote from business matters need not be specified here.

Criminal Offences. Amongst criminal offences against the Bankruptcy Laws are: (1) Concealment by the debtor of any part of his property to the value of £10 or more; (2) concealment of any debt due to him; (3) material omission in the statement of affairs he submits to the Official Receiver; (4) destruction or falsification of his books of account; (5) obtaining property on credit by fraud, within six months before the petition, and for which he has not paid; (6) obtaining credit for goods to the value of £10 or more after his adjudication as a bankrupt without disclosing the fact of his bankruptcy to the person from whom he obtained it; (7) failing to keep proper books of account for any part of the two years before the petition when the debtor is a trader and his unsecured debts exceed £500.

If they are between £100 and £500, he is only liable to prosecution if he has previously been adjudged bankrupt or has made a composition with his creditors. Under £100 there is no criminal liability on this ground—of failure to keep accounts.

DEEDS OF ARRANGEMENT

By means of a deed of arrangement a debtor may assign all his property to a trustee for the benefit of his creditors generally, in consideration of their releasing him from the debts he owes to them, the trustee under the deed being directed to realise the estate and distribute the proceeds among the creditors *pro rata*. By thus assigning his property the debtor commits an act of bankruptcy, but that does not necessarily make him a bankrupt. Before that can happen there must be the presentation of a bankruptcy petition against him by a duly qualified creditor or creditors within three months of the commission of the act. If, therefore, all the creditors agree to accept the deed of arrangement, the costly and slow-moving official proceedings in bankruptcy may be avoided. But if a dissatisfied creditor or combination of creditors for £50 or over objects to the private arrangement, then the estate may be forced into bankruptcy.

The object of the Deeds of Arrangement Act, 1914, is to limit the power of dissentient creditors to upset a deed which has been accepted by the majority and duly executed and advertised.

It is necessary to emphasise the fact that these private arrangements are not compositions or schemes under the Bankruptcy Act; they are arrangements made between debtors and their creditors outside the provisions of that Act and are regulated by the Deeds of Arrangement Act, 1914. Such private arrangements avoid the publicity and expense of bankruptcy proceedings. They have another advantage from the debtor's point of view, viz. that none of the disabilities of an undischarged bankrupt attach either to the debtor or to those dealing with him. The creditors, generally speaking, also benefit by such an arrangement, inasmuch as the debtor's estate can usually be wound up more quickly and less expensively than by official proceedings in bankruptcy. There is also less chance, under this arrangement, of a forced realisation of assets. The disadvantage of a private arrangement as compared with bankruptcy proceedings is that it is of no effect unless all the creditors agree to it; one dissentient, claiming for £50 or over, can wreck the whole scheme, unless, indeed, the assenting creditors decide to pay him out in full. Moreover, the absence of penalty for concealment of available assets makes the chance of this kind of fraud greater than it would be in the publicity of the Bankruptcy Court and in face of the stringent regulations of the Act. The bankruptcy law also provides effective punishment for such serious offences as indulgence in gambling or in hazardous speculation, which are the cause of so many bankruptcies. The chief disadvantage of bankruptcy proceedings as compared with a private arrangement is the less speedy, less profitable, and more costly realisation of the assets.

The Deeds of Arrangement Act, 1914, s. 2, provides that a deed of arrangement, if it is to be valid, shall be registered with the Registrar of Bills of Sale under the Act within seven clear days of its execution. The deed will become void unless, within twenty-one days after it has been registered, or within such extended time as the Court may allow, it has received the assent of a majority in number and value of the creditors. The assent of a creditor is established by his executing the deed or by sending to the trustee his written consent attested by a witness. In calculating a majority in number and value of the creditors, a creditor holding security upon the debtor's property is reckoned as a creditor only for the balance (if any) due to him after deducting the value of his security. Creditors for sums not exceeding £10 are reckoned in the majority in value but not in number. The trustee may serve on any creditors who have not assented a written notice of the execution of the deed and the filing of the certificate of creditors' assents, with the intimation that the creditor will not, after one month from the service of the notice, be entitled to present a bankruptcy petition against the debtor founded on the execution of the deed or any other act connected with the proceedings preliminary to the execution of the deed. Unless the deed becomes void, or a bankruptcy petition is presented within the month, the trustee's written notice is binding upon the dissenting creditor, who must abide by the deed. If bankruptcy intervenes, the deed becomes void. When such a deed becomes void, the fact that a creditor has assented to the deed does not disentitle him to present a bankruptcy petition founded on the execution of the deed as an act of bankruptcy. The trustee must give notice of the avoidance of the deed to every creditor, and file a copy of the notice with the Registrar of Bills of Sale.

The trustee under the deed must give security within seven days after the declaration as to creditors' assent is filed, unless creditors agree to dispense with this.

Where bankruptcy proceedings make the deed inoperative, the trustee is allowed reasonable expenses if benefit has resulted to the estate from his work. Where the deed is void because the requisite majority of creditors has not assented to it, or (in the case of a deed for the benefit of three or more creditors) because the debtor was not insolvent at the time of its execution, and a receiving order is made on a petition presented within three months of the date of the deed, the trustee under the deed is not liable to account to the trustee in a subsequent bankruptcy, unless he knew that the deed was void.

The trustee under a deed of arrangement must render accounts of his receipts and payments to the Board of Trade as in bankruptcy. These must be in the prescribed form, verified by affidavit. He must also send a statement of account to consenting creditors every six months. A majority in number and value of creditors may apply to the Board for an official audit, and if this is ordered, the corresponding provisions of the Bankruptcy Act apply.

The Board of Trade

The Board of Trade which, during the Parliamentary Session of 1909, was raised to the rank of a Department of a Secretary of State is divided into (1) the Commercial and Statistical Department; (2) the Marine Department; (3) the Bankruptcy Department; (4) the Companies' Department; (5) the Finance and General Department.

(1) *The Commercial and Statistical Department* advises upon Commercial Treaties and allied subjects, prepares the annual statistical abstracts of trade for the United Kingdom, the Colonies, and for Foreign Countries, and edits the Board of Trade Journal. There are several branches of this Department: (*a*) the Commercial Intelligence Branch opened in 1899, in the City of London, to provide the public with information on Tariff and trade matters generally; (*b*) the Census of Production Office, established in 1906, for the purpose of compiling statistics relative to the volume of our home trade production. (*c*) The Exhibitions Branch for watching the interests of British traders at the various international exhibitions. (5) In connection with this Dept. there is the *Patent Office*, which deals with Patents, Designs and Trade Marks. The Commercial Dept. serves as a means of communication between the Board of Trade and the Patent Office.

(2) *The Marine Department.* This Department administers the Merchant Shipping Act of 1894, dealing with the registry of ships, the liability of shipowners, the measurement of ships, load-line, examination of Masters, Mates, and Engineers, the suppression of crimping, transmission of seamen's wages, inspection of crews, crew spaces, ship's provisions, and life-saving appliances carried by ships, the establishment of Local Marine Boards, the survey of emigrant and passenger ships, Rule of the Road at Sea regulations, the preparation of the International Code of Signals Book, the detaining of unseaworthy ships, and, in connection with the Admiralty, also deals with the Royal Naval Reserve. This Department publishes the Annual Wreck Register. The General Register and Record Office of Shipping and Seamen is a branch of the Marine Department.

(3) *The Bankruptcy Department* administers the Bankruptcy Act of 1914. It consists of a central staff in London under the Inspector-General with Official Receivers located in different parts of the country. Attached to this Department is the Companies' Winding-up Department, which deals with the winding-up of insolvent Companies.

(4) *The Companies Department.* This Department controls the formation of Limited Liability Companies, and presents to Parliament the returns of Life Assurance Companies. All papers sent to the Registrar-General of Joint Stock Companies which require

the imprimatur of the Board of Trade, particularly applications for registration of Companies without the word "Limited," are forwarded to this Department.

(5) *The Finance and General Department* is now controlled by an Accountant-General. It prepares the Board of Trade estimates for submission to Parliament, and keeps the accounts of the whole establishment, also managing the General Lighthouse Fund, the Merchant Seamen's Fund relative to pensions to seamen, the wages and effects of deceased seamen, and the relief of distressed seamen.

(6) *Solicitor's Department.* Attached to the Board of Trade is a Solicitor's Department to which all legal questions arising from matters dealt with by the Board are submitted.

MINISTRY OF TRANSPORT

The Ministry of Transport was established in 1919. It is presided over by a Minister (called the Minister of Transport), and he is a member of the Government of the day, and the occupant of the office changes with each change of government, as is the case with the heads of all the Departments of State.

To this new Ministry have been assigned the powers and duties formerly exercised by the Board of Trade in relation to railways, light railways, tramways, canals, waterways and inland navigations, roads, bridges, and ferries, and harbours, docks and piers.

Power has been given to the Minister to establish and work, either by himself or through any other person, transport services. But this power is not to be exercised unless the Treasury consents, and no steps have yet been taken by the Ministry to establish a transport service.

Considerable sums have, however, been expended by the Ministry in improving the roads to fit them for motor transport, which has increased enormously in recent years. Several important main roads have recently been constructed, and many old roads have been widened, straightened and improved.

MINISTRY OF LABOUR

The Ministry of Labour, established in 1916 now exercises the powers formerly exercised by the Board of Trade with regard to Labour Exchanges. These were set up in 1910 in all the large towns with the object of disseminating information as to where employment in various industries may be obtained, and also to assist workmen generally in the finding of employment.

This Ministry also administers the Conciliation Act of 1896 for the prevention and settlement of labour disputes, and it also administers the National Insurance (Unemployment) Acts.

TEST PAPER XXV

1. Define Partnership. What are the limits to a Partnership ?

2. Explain the main characteristics of a Partnership and mention the different kinds of Partners.

3. If a Partnership is arranged in any other way than by a deed of Partnership, and disagreement arises, how are the differences usually adjusted ?

4. What is Goodwill ? What is meant by a Partnership at Will ?

5. What is the position of a Partner relative to his Co-partners and what is his position relative to the Creditors of the firm ?

6. How are the Partnership Assets applied in the event of a dissolution of Partnership ?

7. What is a Limited Partnership and wherein does it differ from an ordinary Partnership ?

8. What is an Act of Bankruptcy ? Explain the duties of an O.R. and the nature and effect of a R.O.

9. Explain what is meant by a Composition in connection with a bankrupt's estate, and discuss the duties of a Trustee in Bankruptcy.

10. Define Preferred Creditors ; Secured Creditors ; Partially Secured Creditors ; Fraudulent Preferences.

11. Mention the criminal offences against the Bankruptcy Laws and also the offences " not criminal."

12. Mention the different departments comprised under the heading Board of Trade and state briefly the functions of each.

13. Mention the objects of the Bankruptcy Laws.

14. What do you understand by a L/C ?

15. If I have accepted the following bills drawn on me by you, £200, due May 10 ; £300, due August 15 ; £400, due October 10, and desire to settle all the bills by one payment when ought I to pay you the money in order that neither you nor I lose anything in respect of interest ? Explain the conditions necessary before the rule for finding the due date can be applied.

16. Explain the following: " Sans Frais " ; " With Exchange and Bankers' Charges added " ; " Sans Recours."

17. Explain what is meant by a " Documentary Bill." What documents would accompany such a bill ? What purposes do this sort of bill serve ? What do you understand by " retiring a bill under rebate " ?

18. Explain the procedure you would follow if a foreign bill received by you from one of your customers was dishonoured.

19. What do you understand by " Noting " a bill and by the " Protest " of a bill ?

20. A Walks clerk from the National Provincial Bank, Ltd., hands you a bill drawn on you at 90d/s for £110 10*s*. 6*d*. by one of your creditors in Philadelphia, U.S.A.—what would you do ? If it were a st. draft for £3, what then would you do ?

21. Explain the procedure followed by Banks when advancing money against bills held for collection.

22. Suppose Aird and Co. of Melbourne owed you £900, and you owed various sums to creditors in Sydney, Adelaide and Brisbane amounting to £800, how would you pay your creditors and collect the amount due from your debtor?

23. From the following particulars draw a B/E in a set. Drawers, Jones & Co.; Payees, National Bank of New Zealand, Ltd.; Drawees, The Alliance Importing and Trading Co., Christchurch, N.Z.; Tenor, 90 d/s; amount (or content) £879 10*s*. 6*d*. Show the covering letter you would send to the N.B. of N.Z. Ld. when remitting the draft for collection. Show the advice you would send to the drawees. Show the letter you would send to the bank asking for an advance against the bill. Add some wording to the bill that will ensure the drawees paying the banker's charges for collecting the bill and also relieve you of any possible loss through exchange.

24. There are three ways in which the time when a bill shall become payable may be fixed. State what they are and give examples of each.

25. Mention the different forms of qualified acceptance. If one of your debtors returned a bill of yours with qualified acceptance, what would you do?

26. A B/E is stolen and the payee's signature is forged by the thief who persuades me to take the bill for value. What is my position?

27. What are the rules governing presentation of Bs/E for payment?

28. Suppose you are acting as agent for Andrew Wilson and Co. and you accept a bill on their account in the following form: "Arthur Donnithorne, Agent," Andrew Wilson and Co. default. What is your position?

29. Show how anyone acting as an agent should accept Bs/E.

30. Under what circumstances does the acceptance of a bill by a customer not act as authority to his banker to pay the bill?

31. J. Askam and Co., London, owe Woolley and Co., Leeds, £250. The amount plus 5% p.a. and stamp duty, is to be met by a 3 m/d draft. Draw the draft payable to the "order of ourselves," and state on it the due date. Show also the acceptance made payable at the North Eastern Bank. The draft is endorsed to Messrs. G. Street and Co., who hold it till maturity. Show the endorsement. (*West Riding C.C.*)

32. Draw a B/E for £60 at 3 m/d from March 31; drawers, King and Sons; drawee, A. Marchant. Show the Acceptance and Endorsement, and give the due date. (*Mid. Count. Union.*)

33. Distinguish between a bankruptcy notice and a bankruptcy petition.

34. How does a composition differ from a scheme of arrangement?

35. Distinguish between a receiving order and an adjudication of bankruptcy.

36. Give the advantages and disadvantages of a Deed of Arrangement as compared with Bankruptcy proceedings.

37. What are the functions of the Ministry of Labour?

38. State what you know of the Ministry of Transport and its work.

39. Assume that on January 1st, 193..., you sell goods to the value of £100 to J. Wheeler and Co. of Nottingham, on the terms that payment is to be made on the following April 1st. On January 31st you find that you have heavy payments to make to your creditors, and it would be a convenience to you if you could secure the immediate settlement of J. Wheeler and Co.'s debt. In what ways might you be able to accomplish

this? Draft a letter to J. Wheeler and Co. inviting them to co-operate with you in the way you select.

40. The following transactions take place between R. Williams and Sons, sellers, and J. Buchanan and Co., buyers, for the month of January, 193... :—

193...			£	s.	d.
Jan.	1	Goods sold	98	10	6
„	3	Goods sold	24	5	7
„	15	Goods returned by Buchanan to Williams ..	7	4	9
„	18	Allowance made by Williams to Buchanan in respect of the Jan. 1 transaction	1	1	8
„	25	Goods sold	14	7	6

Make out a statement of account, and receipt the account, assuming that Buchanan and Co. paid the amount on February 15th following, less a settlement discount of 2½%.

41. In order that a Deed of Arrangement may be valid, certain formalities have to be complied with. What are they?

CHAPTER XVII

MONEY AND CURRENCY

Barter or Truck. The origin and necessity of trade lie in man's material needs, and in the fact that no set of men possess all the commodities necessary to satisfy those needs. In primitive times trade was carried on by *Barter* or *Truck, i.e.* by directly interchanging one commodity for another. But as the needs of man, and, in consequence, the number of commodities multiplied, the inconvenience and sometimes the impossibility of the direct bartering of commodities became more and more oppressive. It was not always easy for one man, possessing a superfluity of a particular commodity A, and requiring another commodity B, to meet with another man possessing a superfluity of B willing to exchange it for A. And it was still less easy when the commodity to be bartered was indivisible like a horse, a wagon or a garment. This inconvenience and frequent impossibility gradually led to the introduction of a *medium of exchange,* and the interchange of commodities instead of being a direct became an indirect process. Shells, iron, copper and other articles have in the past served as this medium of exchange. Amongst the early Romans cattle filled the purpose. The Latin name for cattle is *Pecus* = *a herd,* from which we get our word *pecuniary* = *monetary.* It is, however, important to remember that, notwithstanding the introduction of a medium of exchange, present-day commerce is still in essence the original act of barter, only that instead of the one operation of primitive times it is now a dual operation. One kind of commodity is first of all exchanged for its equivalent in the medium of exchange, and then the medium is exchanged for its equivalent in some other kind of commodity. But with the introduction of a medium of exchange the twofold act of modern commerce is easier of operation than was the single act of barter.

Characteristics of a Good Medium of Exchange. It must be one: (*a*) that everybody within a particular trading area will take in exchange; (*b*) easily divisible without loss; (*c*) durable.

Metals such as bronze, nickel, etc., silver, gold, answer these requirements. Hence they have become universally recognised as media of exchange. But they are not perfectly adapted for the purpose. Bronze is too bulky except for small exchanges; silver is too bulky for large, and even gold is too cumbrous for very large interchanges. Further these metals are soft and must be alloyed with harder metals. This, before the introduction of standard coins, opened up the possibility of fraud, and the necessity for assaying the metals at each interchange of goods.

Of all the metals, gold best fulfils the function of a medium of exchange, and so that metal has been adopted as the medium by the great nations of the world. England was the first to adopt a gold standard in the year 1816. Then we had what is known as a "*Gold Specie Standard.*" Gold coins were actually in use as the internal medium of exchange, and anyone could take gold bullion to the Bank and exchange it for sovereigns at the rate of £3 17*s.* 9*d.* per standard ounce, or exchange the Bank's Notes for their equivalent in gold; and there was no hindrance to the export of gold. The economic disturbances caused by the war made this system unworkable, and the Gold Standard was abandoned. The gold coins were called in and inconvertible Currency Notes for £1 and 10*s.* issued by the Treasury took their place. Later, Bank of England Notes for £1 and 10*s.* were substituted for the Treasury issue. But in 1925, this country returned to the Gold Standard in a modified form. By the *Gold Standard Act*, 1925, gold could be obtained at the Bank in exchange for currency, that is, Bank Notes, but in order to prevent its use in internal exchange and confine it to the adjustment of international indebtedness, gold could not be had in less quantities than 400 ounces of fine gold. This system is known as a "*Gold Bullion Standard.*" The economic conditions continued to grow worse throughout the world, until in September, 1931, this country was again forced to abandon the Gold Standard altogether. Now by the *Gold Standard (Amendment) Act* of 1931, the Bank is under no obligation to give gold in exchange for notes, and so there is no check in the rise or fall in value of the pound sterling in foreign monetary centres, except that exercised by the use of the Exchange Equalisation Funds in this and other countries and by the operation of Tariffs, Quotas, etc. Few countries now remain on a Gold Standard. It may be that, given an era of peace and goodwill amongst the nations, there will be a general return to the use of gold as an international medium of exchange, but, in that case, it is improbable that the International System will operate as in pre-war days.

Coin. From what has been said in the preceding paragraph the student will have gathered that the earliest metallic media of exchange were measured by weight. To obviate the necessity of assaying and weighing the metals at each interchange of goods, coins were brought into use. Coins may be defined as pieces of metal stamped to certify their weight and fineness. Coined metal is termed *money*. Money is not, as the student has seen, synonymous with coin, for bank notes are now commonly referred to as money.

Medium of Exchange = Measure of Value. When once a medium of exchange has been agreed upon it has generally served another purpose, viz. as a *measure of value*. We now estimate the value of different commodities not in terms of each other, as under the system of barter, but in terms of money. This estimate of the value of a particular commodity in money is termed its *Price*. Thus we say the price of a horse is, *e.g.*, £35, of coal, 50/- per ton, of potatoes, 3½d. for 4 lbs., etc. Though modern trade is fundamentally the original act of barter, the exchanging of goods for money and money for goods is not termed barter but *sale*. The exchanger of goods for money is the *Seller*, the exchanger of money for goods, the *Buyer*.

Money, Currency, Legal Tender. As now understood in all civilized countries money is gold, silver or any exchangeable coined metal, which, in a particular country, serves both as a medium of exchange and a measure of value. Money is also termed *Metallic Currency*, because, as the medium of exchange, it freely passes from hand to hand amongst the peoples adopting it. There are, however, other kinds of currency, *e.g. Paper Currency*. As mentioned above, gold is inconveniently heavy to be carried in large quantities. Hence governments and banks have issued engraved pieces of elaborately and subtly watermarked paper to represent different amounts of money, and to do duty instead of actual money. Where a particular government selects a particular medium of exchange, and enacts that it shall be accepted by all in discharge of debts the medium (or media) so selected is termed *Legal Tender*. Thus in Great Britain and N. Ireland gold coin and Bank of England notes for £1 and 10s. are legal tender to any amount; so are silver coins up to the value of £2, and bronze coins up to 1/-. Bank of England notes of higher denominations than £1 or 10s. are legal tender in England and Wales for amounts of £5 and over, except by the Bank itself, which cannot compel any one to take its own notes other than the £1 and 10s. notes.

Appreciation and Depreciation of Money. When we speak of the appreciation or depreciation of money we mean that its value expressed in terms of commodities has risen or fallen from a given standard. We cannot speak of the " price of money," for by " price " we mean " price in money," and money cannot be measured in terms of itself. But money can be and is measured in other things, *e.g.* articles of general consumption, and it is therefore quite correct to speak of the price of gold in silver or in wheat, etc. By means of *Index Numbers,* where the prices of gold in silver, wheat, or commodities of general consumption for a given year are stated at 100, and the prices of gold in the same commodities for previous or subsequent years are equated to the year selected as a standard, variations in the purchasing power, or price of gold in terms of commodities can be determined and compared. In this way it is found that gold is subject both to appreciation and depreciation, that is to say, that its value in terms of commodities, or its purchasing power, is greater during some periods than at others. (The reader is directed to " A Plain Guide to Investment and Finance," by T. E. Young, B.A., F.I.A., and to Prof. A. L. Bowley's " Elementary Manual of Statistics " for an exposition of the way index numbers are determined and used.)

Standard of Value. To obtain the best results from the use of coins it is necessary to adopt some one coin that shall contain a particular weight and fineness of metal, and serve as a standard of comparison for all the other coins completing the metallic currency. This is called the *Unit of Value* or *the Standard.* In Great Britain and N. Ireland it is the sovereign. The law enacts that 934½ sovereigns shall be coined from every 20 lbs. weight troy of standard gold, *i.e.* of the fineness of 22 carats of fine gold and two carats of alloy in the lb. weight troy ($\frac{22}{24} = \frac{11}{12}$ fine). Therefore every 1 oz. troy of standard gold is coined into $3\frac{429}{480}$ sovereigns or £3 17*s.* 10½*d.* Thus £3 17*s.* 10½*d.* and 1 oz. troy of standard gold are equivalent things. The value of every other British coin is determined by reference to this standard. A shilling is the twentieth part of a sovereign, a penny the two-hundred-and-fortieth part, and so on. It is, however, impossible in the technical process of coining to ensure that every sovereign shall contain the exact number of grains of the exact degree of fineness prescribed by law, viz. 123,274 grains $\frac{11}{12}$ fine. Consequently an infinitesimal variation either above or below this quantity and fineness is permitted. This variation, of no practical consequence, is termed *Remedy* or *Tolerance.*

It will be observed that standard gold is gold consisting of twenty-two twenty-fourths (carats) of fine gold and two twenty-fourths of alloy. On the basis that one ounce of standard gold is worth £3 17*s.* 10½*d.*, one ounce of pure gold would be worth £4 4*s.* 11½*d.* Since the Great War, gold has been quoted at a higher figure than this. The market price of bar gold at present is above £7 10*s.* per ounce. In consequence of the high price of gold, the minting of gold was discontinued during the War.

Standard and Token Coins. A standard coin is one whose denominational value is the actual value of its metallic ingredients. A newly minted sovereign and half-sovereign are standard coins. The first is the standard, the second is one-half the standard. But there are other supplementary or subsidiary coins, made of silver or bronze, whose denominational value exceeds their metallic value. Such coins, as also Bank of England notes for £1 and 10*s.* which represent the standard coins formerly in circulation, owe their value in exchange, not to intrinsic worth, but to the law of the land. Silver and bronze coins are called *Tokens.* The issue of Bank of England notes and the coining of silver and bronze is a state monopoly, and the profit attaching to their manufacture passes to the Government. Where standard coins and tokens circulate together, it is necessary to limit the circulation of tokens. This is done by the law of legal tender explained above, which limits the use of silver in exchanges to sums not exceeding £2, and of bronze to sums not exceeding 1/-, and by strict regulation of the paper tokens so that they shall not exceed what is actually required for internal currency. Why the limitation is necessary is explained under the head of *Gresham's Law*, mentioned at p. 364.

The Royal Mint. Gold and Silver Bullion (*Bullion* is uncoined gold or silver, *i.e.* gold or silver bars or other states) is coined at the Royal Mint, Tower Hill, London. Prior to the year 1915 any person could take gold bullion to the Mint and have it assayed, coined and returned to him in sovereigns, at the rate of £3 17*s.* 10½*d.* per standard oz. troy free of all charge for coining or wastage. But no one could take standard silver bullion to the Mint and expect it to be returned to him in coined silver. Standard silver formerly consisted of thirty-seven-fortieths of fine silver and three-fortieths of alloy, but silver for coinage now consists of one-third silver and two-thirds alloy, so that the real value of half-a-crown is now about 10*d.* It is desirable that the standard of silver coins should be raised, especially in view of the present low price of silver. This would restore public confidence and tend to improve trade. The coining of silver is, as explained above, a highly profitable state monopoly, and silver bullion is, like tin or lead, worth no more than what it will fetch in the open market. As a matter of fact, however, no one did take gold bullion to the Mint to be coined. All the bullion used at the Mint went through the Bank of England, who, by law, was bound to purchase it at the rate of £3 17*s*. 9*d*. per standard oz. troy. Sellers preferred to forgo the difference of 1½*d*. per oz. or a little under ½*d*. per £, and accepted the Bank's price of £3 17*s*. 9*d*. rather than suffer the loss of interest arising from the delay in passing it through the Mint. The British Government was open to receive bullion and to coin gold sovereigns and half-sovereigns free of charge for all the world.

Gresham's Law. It was stated above that, in order that token coins should not supplant the use of standard coins, it is necessary to limit the circulation of token coins. If a country originally has a standard gold currency sufficient for all purposes of exchange, and a reasonable reserve, and then the Government enacts that token coins or paper currency shall also be legal tender, and proceeds to issue them, there will then be a superfluity of currency, *i.e.* the standard coins plus the tokens will now exist to do the work already amply provided for by the standard coins alone. In such a case the token coins or paper currency *i.e.* the inferior currency, will drive out of circulation the standard coins or superior currency to the extent to which tokens (or paper) have been issued, and if the issue of the latter is unrestricted will eventually drive the standard coins out of circulation altogether.

The superabundance of the media of exchange will cause a rise in general prices till the point is reached when the standard coins and the token or paper currency combined, possess no greater value in exchange than was formerly possessed by the standard coins alone. But the standard gold coins will always be worth their value as bullion, and the bullion value is greater than their exchange value. Hence they will be withdrawn from circulation, and exported in discharge of international indebtedness, or hoarded, or melted and utilised in more profitable directions, *e.g.* for articles of personal adornment. This is an explanation of Gresham's Law, which may briefly be stated by saying that inferior currency will drive out superior, but superior currency cannot supplant inferior. Similarly, where standard and token coins are subjected to degradation by *abrasion, sweating, maltreatment,* by drilling holes in them or clipping the edges, the degraded coins will drive out the newly minted coins, for the latter are worth more as metal than the degraded coins; but not more as legal tender. Hence persons will melt the newly minted coins, sell them as metal and the cost of minting will be entirely lost. It is, therefore, highly important that

Governments should safeguard the integrity of the coinage. In Great Britain all worn coins are withdrawn from circulation as soon as they reach the Bank of England, the loss being borne by the Government. And an educated public opinion supports the exertions of the Government, for very light or degraded coins would not be accepted in exchange by traders. Still it is estimated that the British coinage is debased to a considerable extent. Recent events in South Africa provide a useful illustration of the working of Gresham's Law. An attempt was made in 1919 to maintain parity of exchange with Great Britain with disastrous results to South African trade. Sovereigns were allowed to circulate internally, and the banks endeavoured to maintain a parity of exchange between their gold sovereigns and the English Currency notes, which were worth about one-third less than the sovereign. The banks in vain protested that paper was equal to gold. The native knew better. He knew that a smuggler awaited him on the frontier who was ready to pay him 25/- for each golden sovereign. In the result the country was rapidly drained of its sovereigns by the operation of Gresham's Law. At last the banks realised that there was no real parity between paper and gold and that the pretence was too costly to maintain. But meanwhile trade had been seriously hampered. Nowadays (1935), this country has abandoned the gold standard, and the gold sovereign has been withdrawn from circulation. Doubtless there are hoards of sovereigns still in private hands. As *currency* the gold sovereign is worth no more than the Bank of England note for £1 that has taken its place. But, owing to the appreciation in the value of gold, the bullion value of the gold sovereign is now round about 31*s*., and any one who wanted to dispose of sovereigns to-day would not tender them as currency, but sell them as bullion.

Paper Currency. Paper currency is of two kinds: (1) Convertible, (2) Inconvertible. In this country all notes were convertible, and now are inconvertible.

Formerly all notes issued by the Bank of England were repayable in gold coin on demand, but, by the *Gold Standard Act*, 1925, the Bank was absolved from the necessity of paying gold coin for its notes. By that Act, the minimum quantity of gold that could be obtained by tendering to the Bank equivalent legal tender currency was 400 oz. of fine gold,* and the Bank could offer the gold in coin or bars at its option.* The effect of this provision was to confine the use of gold to the settlement of international transactions. The note issues of the banks in Scotland and N. Ireland are restricted to the average amount of notes these banks had in circulation in 1844, though they may issue more, provided they hold gold or Bank of England notes against their repayment. Bank paper, like cheques and Bills of Exchange and Promissory Notes, is elastic. The quantity in circulation increases or diminishes with the increasing or diminishing number of exchanges of goods that take place. This is the real function and characteristic of a sound system of credit instruments, and the extent to which they are used is one criterion of a country's progress in civilisation. But mark the important difference between convertible and inconvertible currency, particularly where the Government is in the hands of men lacking in character and prudence. Notes are issued—mere paper tokens costing nothing but their manufacture—and made legal tender and inconvertible, *i.e.* not repayable in gold. Against the first issue gold is held in reserve by the Government. So long as the issue is in denominations convenient to the people, and not more than sufficient for the purposes of internal exchange, and so long as the gold is not squandered in dubious enterprises but held in reserve, and the imports into the country can be paid for by the exports, the inconvertible paper serves efficiently the purpose of internal currency. But suppose a failure of the harvest or a slackened demand by foreign nations for raw, or manufactured material exported from that country. The difference between the value of the exports and the imports must be paid for in gold (inconvertible paper is only currency in the country issuing it, and is not acceptable to the rest of the world). The debtors must then purchase gold in the open market, where it is sold at a profit like all other merchandise, consequently it will always stand at a premium. But this is insignificant compared with the evil effects of an *over issue* of inconvertible currency. Some new national need springs up, real or imaginary. It may be the necessity for suppressing civil strife, or conducting a foreign war, or for additional currency requirements due to a period of expanding trade, or nothing more than the grandiose schemes of spendthrift politicians. Notes are issued in larger and larger quantities, and a period of reckless expenditure ensues. The reserves of gold are drawn upon till what is left is totally inadequate to support the enormous amount of paper in existence. Gold is hoarded or sent out of the country in payment of international obligations, and the price of gold, in terms of paper, *i.e.* the premium on gold rises to extraordinary heights, until the paper currency becomes even worthless. But inconvertible paper, unlike convertible paper, is permanent currency. Hence to restore the financial integrity of the country the redundant issues must be called in and cancelled, a procedure that can safely be effected only by years of painful economy. The difference in the purchasing power of gold over paper is termed *Agio*, or *Premium.*

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* *See* p. 360.

A few other terms in connection with money may be explained.

Moneys of Account are those denominations of currency utilised in different countries for purposes of book-keeping. In Great Britain they are *Pounds*, *Shillings*, and *Pence* represented by the symbols *£ s. d.* = respectively, *Libræ*, *Solidi*, *Denarii* from *Libra*, *Solidus*, *Denarius*, the Latin names respectively for a Pound, a Shilling, and a Penny. In France the denominations used are Francs (fcs.) and Centimes (c.); in Germany, Marks (mks.) and Pfennige (pf.); in the United States, Dollars ($) and Cents (c.). *Sterling* is the name given to undegraded British Standard coin.

TEST PAPER XXVI

1. Explain the following: "Medium of Exchange"; "Measure of Value."

2. What is meant by the Appreciation and the Depreciation of Money and how are these tendencies measured ?

3. Define Money, Currency, and Legal Tender, using as illustrations a Sovereign, a Bank of England Note, and a £1 Scotch Note.

4. Explain the difference between standard and token coins, and show why it is necessary to restrict the circulation of the latter and how the restriction is effected.

5. What is the exact weight and fineness of the British Standard Coin ?

6. In every lb. troy of standard silver bullion how much pure silver is there ?

7. Briefly enunciate Gresham's Law.

8. Distinguish between Convertible and Inconvertible Currency and show the effect of an over issue of the latter.

9. Say what you know about the Royal Mint.

10. What are "Moneys of Account" ?

11. Mention the alterations in an "acceptance" that require confirmation.

12. Show in what ways a cheque may be endorsed, and how to turn a general into a special endorsement.

13. You receive a B/E dated September 22, payable three months after date. When should it be presented for payment.

14. What do you understand by gold being bought and sold at a premium ?

15. Jones & Co. of Liverpool has exported goods to Fasnacht and Co., Paris, to the value of £1000. In what ways can they get a settlement of their account ? Assume they draw on Fasnacht and Co. and draft the necessary document.

16. Draw a B/E on Venice for £360 19*s.* 2*d.* at the rate of exchange as per first London endorsement and state the effect of so doing.

17. Explain the respective liabilities of the parties to a Bill of Exchange, a cheque, and a Promissory Note.

18. When may a Bill be accepted " Supra Protest " ?

19. When would an Inland Bill dated February 28 drawn payable three after date become due ?

20. What is an Accommodation Bill ? What liability does a man incur by accepting such a Bill ?

21. You have received a Foreign Bill and presented it to the drawee for acceptance, which is refused. What would you do with it ?

22. Who may cross a cheque ? Illustrate the several kinds of crossings and state the effect of adding " Not Negotiable."

CHAPTER XVIII

BANKING; TRADING BANKS; SAVINGS BANKS; BANK OF ENGLAND; BANKERS' CLEARING SYSTEM; WHAT IS THE MONEY MARKET?

BANKING

History. The word *Bank* is generally stated to have been derived from the Italian *Banco*, a bench, from the circumstance that the money-changers of Lombardy carried on their business seated at benches in the open market-place. The word is, however, also connected with the Italian *Monte*, from the Latin *Mons* = a mound or bank, and with an old Teutonic word *Banke*, the equivalent of the Italian *Monte*. This is the sense in which Blackstone used the word when he wrote: "At Florence, in 1344, Government owed £60,000, and being unable to pay it, formed the principal into an aggregate sum [*i.e.* capital stock] called metaphorically, a Mound or Bank."

The business of banking is of very ancient origin. It was—to go back no further—carried on by the Romans, who were familiar with the use of cheques and bills of exchange. The Latin name for bills of exchange was *litteræ cambitoriæ*, from which we get our word *cambist*, signifying a dealer or speculator in bills of exchange. The development of banking has proceeded side by side with the development of trade. Hence we find that the Lombard cities, followed by Barcelona, Hamburg, and Amsterdam, had developed systems of banking long before London.

The Goldsmiths. The business of banking in London was originally in the hands of the Goldsmiths, who at first acted purely as money-changers, and, later, as receivers of the money of others. They paid interest on the money deposited with them, and loaned it at a higher rate.

The Bank of England. The establishment of the Bank of England in 1694, by public subscription, was the foundation of modern British banking. A Scotsman, William Paterson, proposed the plan, and the capital £1,200,000 was subscribed within ten days. The capital was lent at 8 per cent. interest to the Government of William III., in order to prosecute the war with France, and in exchange for the loan the bank was incorporated by Royal Charter, and secured the power of issuing notes to the extent of the loan on the security of the Government. The Charter has undergone many modifications and the capital been increased from time to time. In 1708 a clause was inserted in the Charter conferring upon the Bank a monopoly of Joint Stock Banking in England and Wales. This imposed severe restrictions upon the growing trade of the country, and conduced to the establishment of private banks which issued their own notes. Many of these private banks failed. In 1826 the monopoly was curtailed to the district within sixty-five miles of St. Paul's, and entirely abolished in 1833 (though the Bank was allowed to retain the monopoly of issuing notes within this area). The following year, 1834, witnessed the establishment of the London and Westminster Bank, soon followed by many others.

Decline of the Goldsmiths. The goldsmiths continued their business till long after the foundation of the Bank of England, but the greater facilities offered to traders by the Bank, and the lower rate of interest which, owing to its lucrative connection with the Government, it was enabled to charge, more and more adversely affected them, and they gradually gave up banking business.

Irish and Scotch Banking. The Bank of Ireland was established by Royal Charter, dated May 15, 1783, on much the same lines as the Bank of England, and with similar drawbacks—the creation of private banks and their subsequent failure entailing loss and misery to the people. But these adverse affects did not attend the inauguration of the modern banking system in Scotland. For though the Charter of the Bank of Scotland, granted in 1695, prohibited the establishment of other joint stock banks in Scotland, the prohibition was removed when the Charter was renewed in 1716. In 1727 a Charter was granted to the Royal Bank of Scotland, and in 1746 to the British Linen Company, now purely a banking concern. Banking has thus had a free course in Scotland—chartered banks and joint stock banks working side by side—and this partially explains the divergences of practice between Scotch and English banking, which for so long was hindered by State prohibitions.

Kinds of Banks.—Banks are of two kinds: (1) Trading Banks,

(2) Savings Banks, the former being divisible into two classes (*a*) Private, (*b*) Joint Stock Banks. The object of trading banks is the extension of public credit, the object of savings banks, the encouragement of thrift. A savings bank is not conducted with a view to making profit, but the Partners or Directors of a Trading Bank endeavour to make as great a profit for themselves or the shareholders as may be consistent with the financial well-being of the bank.

TRADING BANKS

Private Banks. A Private Bank is one conducted by two or more persons, not exceeding ten in number, associated in partnership, who contribute the capital, share in the profits and also in the losses, and who, under the Law of Partnership, are individually liable for the whole of the partnership debts. In a Private Bank all the partners, unless it is otherwise arranged, are entitled to and do share in the management of the bank. Private Banks were formerly very numerous in Great Britain, but they have been gradually absorbed by the Joint Stock Banks until, with few exceptions, they have become extinct.

Joint Stock Banks. A Joint Stock Bank is one whose capital is contributed by public subscription. Each contributor is allotted shares in the bank to the amount of the capital he has agreed to contribute, and though he may lose the whole of the capital he agrees to provide through the failure of the bank, he cannot be made liable for any amount beyond that sum. His liability is limited to the extent of his holding. The management of a Joint Stock Bank devolves upon a number of Directors appointed by the shareholders. A Joint Stock Bank must publish a Statement twice yearly, in accordance with the requirements of S. 131 of *The Companies Act*, 1929.

Banks of Issue. When a bank has a right to issue its own notes, it is termed a Bank of Issue. By the Bank Charter Act of 1844, the right to issue notes was restricted to the Bank of England, and to other banks then having the right to issue notes to such an amount as they were then entitled to issue. In 1844, when the Bank Act was passed, the number of banks entitled to issue notes was 207 By 1901, the number of such banks had been reduced to thirty, and in 1919 the number had fallen to six. In October, 1921, an old banking firm, Messrs. Fox, Fowler & Co. of Wellington, Somerset, was amalgamated with Lloyds Bank, Limited, and this amalgamation involved the disappearance of the last bank of issue in England and Wales.

The right to issue bank notes is still possessed by several banks in Scotland and Ireland.

Any banking company in Great Britain or Ireland claiming the right to issue bank notes is not entitled to limited liability in respect of such issue.

Functions of a Trading Bank. The functions of a trading bank are fivefold:

(1) To receive deposits of money from customers, and to collect on their behalf Bills of Exchange and other instruments representing money, and either (*a*) to repay on demand the whole or any part of the balance standing to the credit of the customers, when the customer is said to have a *Current or Drawing Account*, or (*b*) to repay after the expiry of notice, whatever may be the term agreed upon, when the customer is said to have a *Deposit Account.* Banks pay no interest on Current or Drawing Accounts (except some banks in the North of England, which allow interest on Current Accounts and charge a commission upon the total of the amounts withdrawn by cheque), but on Deposit Accounts they pay a variable rate of interest according (*a*) to the notice required for withdrawal and (*b*) the official rate charged by the Bank of England for discounting the best kind of Bs/E. The procedure of the Scotch Banks is somewhat different. A banker repays a customer's deposits by honouring the customer's cheques, and so the commonly accepted definition of a banker is, according to Dr. Hart, " one who, in the ordinary course of his business, honours cheques drawn upon him by persons from and for whom he receives money on current accounts."

(2) To buy debts expressed in the form of Bills of Exchange or Promissory Notes. When a bank buys a Bill of Exchange it immediately places to the credit of the customer's drawing account the amount expressed by the Bill of Exchange less the bank's charges for the accommodation. The difference is termed *Discount*, and in such transactions a bank is said to *discount the bill.* A banker always requires the person accommodated in this way to become a party to the bills discounted, because he is then liable on the bills for their payment

should they be dishonoured. So unless he be the drawer of the discounted bills he must endorse them in blank.

(3) To lend money at interest upon securities deposited with the bank, in whose favour an equitable charge is given upon them by the customer (in the case of fully-paid stock and share certificates they are actually transferred to the bank's nominees). Some banks accommodate their customers in this way by an *overdraft, i.e.* they allow them to overdraw their current accounts to the extent agreed upon ; but other banks prefer that the current or drawing accounts shall be maintained in credit. They open a loan account to record such transactions and credit the amount of the loan to the current account. In transactions of this kind the bank has a general lien upon the securities and, in the event of default by the borrower, the bank may sell the securities and recover the amount of the loan together with interest and expenses. Bankers also lend money to their customers by way of overdraft against a guarantee entered into on the customer's behalf by one or more guarantors. In the event of default by the customer, the guarantor or guarantors must on demand pay to the bank the final balance due. Another way that bankers accommodate their customers is to advance money against documentary bills, *i.e.* bills to which are attached the Bill of Lading, the Marine Insurance Policy, and the Invoice for the goods, and, very frequently also, a Letter of Hypothecation. In this case the banker's security is the shipping documents, for, upon default by the drawee of the bill, he can sell the goods by public auction, and, in addition, he has the customer to whom he made the advance to fall back upon. Dock Warrants, Title Deeds to Property, Life Policies, etc, are other forms of security freely accepted by bankers as cover for advances. Not infrequently bankers lend solely on the customer's known commercial standing, probity, and business acumen, but such advances are naturally very carefully considered before they are made. In Scotland money is also advanced upon what are termed " Cash Credits." A banker places to the credit of a customer an agreed sum on the personal security of two or more guarantors, against which the customer may draw. Interest is charged only upon the actual amount of the credit

utilised. This system of Cash Credits has played an immense and most beneficent part in the commercial development of Scotland.

(4) To act as agent for customers for the collection of dividends, etc.; the payment of Annuities, Subscriptions, Insurance Premiums, etc.; the purchase and sale of Stock Exchange securities, etc.

(5) To act as warehouseman for customers and take charge, for safe custody, of plate, jewels, deeds, bonds, and other valuable property. In this capacity a bank is a bailee, and has no lien upon such goods for money due to the bank by the owners in respect of loans or overdrafts, unless a lien is created by specific agreement, or can be inferred as a fact from the course of dealing between the bank and its customer.

I have said that the object of trading banks is the "extension of public credit," that their functions, amongst others, comprise the receipt of "deposits of money," buying "debts expressed in the form of Bills of Exchange," and lending "money at interest upon securities." I will explain in what way a bank "extends public credit," and what is meant by "deposits of money," "buying debts," and "lending money."

Commercial Credit. The transactions where a trader sells goods and is immediately paid for them in legal tender are insignificant compared with (*a*) those where he sells goods for payment at a future date, and receives, at the agreed time, a cheque; and (*b*) those where he sells goods for payment at a future date, and obtains from his debtor either a Bill of Exchange or a Promissory Note. It is computed that 97 per cent. of the "payments in" to Bankers are made in the form of these orders to pay (representing exchanges of goods), which, though they are all legally payable in legal tender, are nevertheless neither so paid nor meant to be so paid.

Banker's Adjustment of Claims. Every banker then receives almost the whole of his "payments in" not in currency, *i.e.* legal tender, but in these written obligations to pay money. Now many of these instruments will be given and received by traders who bank with the same bank. In such cases all the banker does is to debit the accounts of the givers, credit the accounts of the receivers, cancel the instruments and return them to the givers, a mere series of book entries which in no way affect the banker's store of legal tender, or disturb the relation between his assets and his liabilities.

But by far the greater proportion of these instruments will be given and received by persons who bank with different banks. Here the settlement is almost as easy. For suppose two banks, A and B: A has orders on B's customers for £1000, B has orders upon A's for £800. A credits the accounts of the customers who send him the orders with the £1000. and debits other customers' accounts with the £800 presented by B. B credits his customers with the £800 and debits others with the £1000. B then pays A £200, and the whole series of transactions is settled by the mere payment of the difference. In practice, this is much easier than the illustration shows. For in London (and in many Provincial cities) bankers have established what is termed a *Clearing House*, where representatives of the different banks meet together and adjust their differences, not in legal tender but by a cheque on the Bank of England, where the banks keep accounts for the purpose. Thus in 1928 transactions to the enormous total of £44,204,974,000 were settled one against another without the transfer of a single note. Now it is certain that, but for these instruments of credit, brought to full perfection of working by the banking system, exchanges to this extent could not be carried on. The total stock of legal tender in the country would not permit it to be done, and even if there were a sufficient stock the inconvenience, expense, and danger of its use would be prohibitive.

If the student will consult the Balance Sheet of a great bank, *e.g.* the Balance Sheet of Barclays Bank, Ltd., for the year ending December 31, 1929, which is before me as I write, he will see that while the total balance standing to customers' credit on Deposit and Current Accounts is about £337,000,000, the Cash in Hand, Cash at the Bank of England, and the " Money at Call and Short Notice," which form the three most liquid assets of the Bank, are only a little over £75,000,000. The total amount of coin and bank notes, together with the cash balance held by the Midland Bank, Ltd., stands at not quite £52,000,000. The major part of a bank's assets exist in the form of investments and loans and advances upon security, and these of course are only realisable by degrees and in times of general prosperity and unshaken credit. This disproportion between the liabilities to customers and the cash in hand is observable in all bank Balance Sheets and still further emphasises the small part which actual legal tender plays in modern commerce and banking.

The student has seen (*a*) that almost the whole of the " payments in " to banks are instruments of credit, and (*b*) that these instruments of credit are settled one against another, not in legal tender but by a further use of credit instruments. Similarly, when a banker buys a bill of exchange or grants a loan on security he does not hand Bank notes to his customer, but he makes a book entry in his favour, *i.e.* he credits his customer's current account with the amount, and gives him the power to draw further cheques or accept further bills of exchange.

When a customer pays into a trading bank on current or deposit account he cedes to the bank all rights in the property paid in, and in exchange obtains the banker's undertaking to pay back on demand or at notice, not the identical property committed to him, but its equivalent. The bank has the right to do whatever it pleases with the deposits of the customer, just in the same way that a buyer of goods on credit may do what he likes with the goods he buys. Practically the banker buys the credits entrusted to him by his customers, and sells them at a higher rate to other customers. Thus, in general, the relationship between a banker and his customer is the relationship of debtor and creditor, and if the banker fails, the customer is entitled to no more than a *pro rata* dividend out of the banker's estate, just as an unpaid seller can expect no more than a *pro rata* dividend from a bankrupt buyer.

Enough has now been said to make clear to the student that modern commerce is a huge system of credit or trust, and that the banking system is equally a system of credit aiding and developing commercial credit. The seller of goods trusts that the cheque or bill he receives from his buyer will, if required, be paid in legal tender. He hands it, and cedes all rights in it, to his banker, trusting that the banker will not use it in risky ventures, but will, if required, repay the amount to him in legal tender. The banker, on his part, trusts that his customers will not demand their deposits to be repaid to them in legal tender to a much greater extent than experience has shown him to be the average demand for legal tender—a demand he provides for by the " cash in hand " he keeps in his strong rooms and tills, and with the Bank of England. For should every customer simultaneously demand his deposits in legal tender the banker must necessarily close his doors, just as a life insurance office would become insolvent if every insured life failed at the same moment.

SAVINGS BANKS

Definition. A Savings Bank is a voluntary association. The property belongs to its members, and its management, as also of the bank itself, is committed by the members to the care of certain officers and trustees. Such a Savings Bank is termed a *Trustee Savings Bank.* There is another kind of Savings Bank, established and managed by the State, and known as the *Post Office Savings Bank.*

History and Purpose of Trustee Savings Banks. The first English bank of the kind was established in 1799 at Wendover, Bucks, by the Rev. J. Smith. It was followed by one founded at West Calder by the Rev. J. Mackay in 1807, and by that founded in 1810 by the Rev. H. Duncan at Ruthwell, Dumfriesshire. The plan of the last mentioned bank worked so well that it became the model for all subsequent Trustee Banks. The student will remark from the circumstances that the earliest savings banks were associated with the clergy, that their main object was to provide effective means by which the poor could be encouraged in habits of thrift, and by their own efforts raise themselves to a position of some independence. This encouragement was the more effective since the money could be deposited in the smallest sums, and accumulated at compound interest at a rate high enough to afford but a bare margin for management expenses. Practically speaking, the whole of the profits were reserved for the benefit of depositors, and in some cases further inducements were offered in the shape of bonus additions to the deposits, provided they reached a stated sum in a given time. Savings banks continued to develop, and in 1817 the first Savings Bank Act was passed.

Savings Bank Act, 1817. This Act authorised the foundation in England and Ireland of Trustee Savings Banks for the benefit of depositors, the trustees and managers of which were to deduct no more from the proceeds derived from the investments of the moneys deposited than was sufficient to provide the expenses of management, but they were not to derive any personal profit from the proceeds thereof. The system was extended to Scotland in 1819. These Acts were modified in 1818, 1828, and 1844. In 1863 the law was consolidated by an Act repealing all the former Acts, and providing for :

(1) The attendance of at least two trustees, managers or specially appointed paid officers on all occasions of public business.

(2) The comparison of the pass books of the depositors with the ledger upon every repayment, and also on their first production at the bank after each November 20.

(3) A half-yearly audit of the books by a public accountant, or one or more auditors appointed by the trustees, but not out of their own body.

(4) The keeping of a book, open to inspection by depositors, showing the balances due to each depositor made up each year to November 20.

(5) Meetings of Trustees at least half-yearly—the minutes and proceedings to be recorded in a book kept for the purpose.

(6) Trustees and managers to transmit weekly returns to the Commissioners of National Debt, showing the amount of each week's business.

(7) Regulations as to interest payable to and by the Trustees for moneys invested.

Other Acts were passed in 1876 and 1880. The failure of the Cardiff Savings Bank led to the passing of the Trustee Savings Act, 1877, conferring powers on the Treasury with reference to Trustee Banks, and three sets of regulations were issued under it. In 1891 another Savings Bank Act was passed providing for the appointment of an inspection committee who were to ascertain if the trustees and managers of savings banks were complying with the law, and if not, to report the fact to the Commissioners of National Debt, who have the power to close the bank and transfer it to the Post Office.

Post Office Savings Bank. The P.O. Savings Bank was founded by Act of Parliament in 1861. The suggestion for a Government Savings Bank had been put forward by Mr. Whitbread in 1806, again in 1852 and 1858 by the Ven. Archdeacon Hamilton, who first recommended its foundation in connection with the P.O. In 1859 Mr. Sikes of the Huddersfield Banking Co. read a paper before the Social Science Congress at Bradford, and in 1860 Mr. Chetwynd of the P.O. drew up the plan embodied in in the Act of 1861. The P.O. Savings Bank system has spread to other countries, to India, the Colonies, and to all important European States.

Savings Banks Statistics. The Post Office acts as a savings Bank throughout Great Britain and Northern Ireland. Deposits may be made in every town and in almost every village. There are about 10,000,000 deposit accounts in the P.O. Savings Bank with the sum of nearly £300,000,000 due to depositors. The

Trustee Savings Banks have about 2,400,000 accounts with over £121,000,000 due to depositors. It will be seen from the statistics that the growth of Trustee Banks has been greatly retarded by the P.O. Savings Bank, which is far and away the most popular of all the agencies for the encouragement of thrift.

Opening an Account with the P.O. Accounts may be opened at any P.O. in the United Kingdom by any person over seven years of age, or in the names of others, if under that age. In the latter case the money cannot be withdrawn till the person has reached the age of seven, and only on his or her signature. When opening an account a person must state his full name, occupation, and residence, and sign a declaration to the effect that he takes no benefit from any other account in the P.O. Savings Bank, or in a Trustee Savings Bank. Any sum may be deposited from 1/- upwards (excluding pence), up to an aggregate of £500 in any year ending the 31st of December. Only the amount which may be deposited in a year is limited; there is now no limit to the amount which may stand to the credit of an account. There are exceptions to this rule in the case of Registered Friendly Societies and others who may also have accounts with the P.O. Savings Bank. Each depositor is given a bank book, which should be carefully examined before leaving the office to ascertain that the entry is correct. Sums paid in under £50 are not acknowledged, but all sums of and exceeding £50 are acknowledged by the central office in London by post within four days of deposit. Should there be any discrepancy between the acknowledgment and the amount deposited, the controller of the savings bank should be immediately informed of the fact by letter. Interest is allowed on deposits at the rate of 2½ per cent. for each complete pound. The interest is calculated from the first day of the calendar month next following the day in which a pound has been deposited or completed, up to the last day of the calendar month preceding that in which a warrant for repayment is issued, and after each December 31 it is added to the principal so long as the account remains open. On the anniversary of the day on which a depositor made his first deposit he should forward his book to the Controller of the Savings Bank in order that it may be compared with the ledgers, its accuracy established, and the interest inserted.

Withdrawals. Sums not exceeding £3 may be withdrawn at any post office, on presentation by the depositor of his deposit book. For sums exceeding £3 the depositor must fill up a notice of withdrawal form obtainable at any P.O. and send it to the central office. He will then receive by post a warrant which he must present with his book to the Postmaster at the P.O. where payment is to be made. The Postmaster takes the depositor's receipt for the withdrawal on the warrant. If a depositor wishes to withdraw money on the same day as that on which he gives notice of withdrawal he may do so up to a limit of £10 by paying the cost of the telegrams to and from the Controller, Savings Bank, London, plus a service charge of one shilling.

Investments and Post Office Annuities. The Post Office in connection with the Savings Bank arranges for investments by depositors in 2½ % Consols, 2½ % Annuities, 2¾ % Annuities, Local Loans 3 % stock, and the various War Stocks. Not more than £1,000 Stock may be purchased at one time, but there is no limit to the total amount that may be held. Depositors may also purchase annuities on their own lives or the lives of any person over five years of age, for any sum from £1 to £300 per annum. Annuities are payable in equal quarterly instalments. Annuities may be paid (*a*) by an Annuity Warrant at any Post Office Savings Bank, (*b*) by a Warrant payable through any bank, (*c*) by credit of the amount to the Annuitant's Savings Bank Account. In connection with these payments, a Birth Certificate is required. Special charge 1*s*., on a form to be had from the Controller. Thus under the Post Office system a depositor may make provision for himself and others—all under the guarantee of Government.

Penny Banks. There are Trustee Savings Banks taking deposits as low as a penny. Hence their name. The P.O. Savings Bank also facilitates the saving of pennies by supplying forms to which penny stamps may be affixed. As soon as the form has twelve penny stamps affixed it is deposited in the post office and the depositor is credited with one shilling.

The Bank of England

The Bank of England is a Joint Stock Banking Institution, the first of its kind, founded in 1694.

Its Constitution. Originally it was no different from any of the many other Joint Stock Banks existing to-day, and conducted its business purely with a view to the conservation of its own position, and the earning of dividends for its stock-holders. But the making of private gain has in the course of time become subordinated to the higher purpose of preserving the national credit, and on this account, and because of its vast paid-up capital

(£14,553,000), the dividends paid to its shareholders are very much smaller than those paid by the majority of the other large Joint Stock Banks. From its inception the Bank has acted as Bankers to the Government, receiving the National Revenue (the proceeds from Customs, Excise, Income Tax, etc.) and discharging the National obligations (the payment of interest on the National Debt, payments in connection with the Army, Navy, Civil Service, etc.), and from this fact it is sometimes erroneously supposed that the Bank is a Department of the Government service.

The pre-eminence of the Bank, however, though undoubtedly to some extent accounted for by this connection, rests on the fact that the Bullion and Gold coin held in its vaults is practically the whole stock of gold in the country. In the Return below, the stock is £156,610,010. The silver coin there mentioned, £4,466,217, forms no part of the metallic backing to the note issue, which consists solely of gold.

The Bank Act of 1844. Prior to the Great War, negotiable instruments (Notes, Cheques, Bills of Exchange) were all payable on demand in gold, but during the commercial crises of 1796, 1825 and 1839, the Bank, with other Banks, became so seriously embarrassed (in 1796 payment in gold was stopped, and the Government of the day permitted the Bank to issue notes in place of gold), that on the expiration of its charter in 1844, the Government under Sir Robert Peel passed the Bank Act.

Prior to the passing of that Act no regulations were in force to compel the Banks issuing notes to conform their note issues to the stock of gold held, but by this Act:

(1) Their powers of issue were curtailed within strictly defined limits.

(2) No new banks having power to issue notes were to be established.

(3) Any bank suspending its note issue could not afterwards resume it.

The Bank of England was to divide its business into two separate and distinct departments—the Issue Department and the Banking Department—and to publish weekly a *Bank Return*, or statement of liabilities and assets for each department. The Issue Department was to take over the liability for all Bank of England notes then in circulation, against which the debt due by the Government £11,015,100, and interest-bearing securities to the extent of £2,984,900, in all £14,000,000, were to rank as

Assets. Up to £11,015,100, therefore, the note issue was a Government issue. It was also provided by the Bank Act that, in the event of any bank possessing the right of issuing notes allowing that right to lapse (either voluntarily or through bankruptcy), the Bank of England could further add to its note issue against securities to the extent of two-thirds of the lapsed issue. Other banks have allowed their right of issue to lapse, and the Bank of England increased its note issue against securities by £5,750,000. Thus the authorised issue of notes (January, 1924), against Government and other interest-bearing securities was £19,750,000. This constituted the old *Fiduciary Issue.* A further most important provision of the Bank Act was that against all notes issued in excess of the amount guaranteed by Government, £11,015,100, and the interest-bearing securities, £2,984,900 (since increased as stated by £5,750,000 to £8,734,900), standard gold to an equal amount was to be deposited in the Bank, and held against the due payment of the notes.

The *Currency and Bank Notes Act*, 1928, became law on November 22, 1928. It is described in the preamble to be " An Act to amend the law relating to the issue of bank notes by the Bank of England and by banks in Scotland and Northern Ireland, and to provide for the transfer to the Bank of England of the Currency notes issue and of the assets appropriated for the redemption thereof, and to make certain provisions with respect to gold reserves and otherwise in connection with the matters aforesaid and to prevent the defacement of bank notes."

Under that Act the Bank Return assumed a new form, the only items common to both the old and the new form of Return being (*a*) the amount of the capital, £14,553,000, and (*b*) the old historic debt of the Government to the Bank, £11,015,100. The present form of Bank Return appears on page 383.

Issue Department. On the debit side, we see that notes have been issued to a total value of £416,610,010, and that of this total, £359,247,209 is in the hands of the banking institutions at home (and abroad) and the general public, *i.e.* in *active circulation as currency*, while £57,362,801 is held in the Banking Department of the Bank as assets against the liabilities of that Department, *i.e.* as *Notes in Reserve.* As assets against the total note issue, there appears on the credit side, (*a*) The Government Debt, £11,015,100, (*b*) Other Government Securities, £232,889,623. This item formed part of the Currency Notes Redemption Assets, and was transferred to the Bank by the Government when the Bank assumed liability for the outstanding Currency

Notes, and began to replace those notes by its own issues of 10*s.* and £1 notes. (*c*) Other Securities, £11,629,060. The securities (*b*) above are securities of the British Government—Treasury Bills, Consols, and Securities of the various War Loans, etc. These (*c*) securities, though doubtless of the finest quality, are not Government securities, and the total includes a certain amount of commercial bills of exchange, which by S. 3 of the *Currency and Bank Notes Act*, 1928, the Bank is authorised to hold as one of its assets against its fiduciary note issue, (*d*) the item Silver Coin, £4,466,217, also comes from the Currency Note Redemption Reserve. The *Bank Charter Act*, 1844, authorised the Bank to hold silver amongst its Issue Department Assets, but the Bank had ceased to do so for many years. The *Currency and Bank Notes Act*, 1928, authorises the Bank to hold silver coin, but not to a greater extent than £5,500,000. The total assets (*a*), (*b*), (*c*) and (*d*) amount to £260,000,000, and

BANK RETURN

THURSDAY, JUNE 19, 1930

ISSUE DEPARTMENT

	£		£
Notes Issued:		Government debt ..	11,015,100
In circulation ..	359,247,209	Other Government securities	232,889,623
In banking department	57,362,801	Other securities ..	11,629,060
		Silver coin	4,466,217
		Amount of fiduciary issue	260,000,000
		Gold coin and bullion	156,610,010
	£416,610,010		£416,610,010

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Government securities	46,475,547
Rest	3,304,572	Other securities:—	
Public deposits* ..	16,577,610		
Other deposits:		Discounts and advances	7,098,791
Bankers	58,331,534	Securities	16,640,653
Other accounts ..	35,687,253	Notes	57,362,801
† Seven-day and other bills	3,340	Gold and silver coin..	879,517
	£128,457,309		£128,457,309

* Including Exchequer, Savings Banks, Commissioners of National Debts, and dividend Accounts.

† This item no longer appears in the Bank Return (*see* p. 339).

this sum constitutes the amount of the *Fiduciary Note Issue.* The fiduciary note issue may be reduced or increased as provided by the *Currency and Bank Notes Act,* 1928. All notes issued by the Bank beyond this authorised sum of £260,000,000, must be represented by gold coins and bullion held in the Bank's vaults, and in this Return we see that notes to the value of £156,610,010 have been so issued.

Banking Department. On the debit side (*a*) the item capital has remained unchanged since the year 1816. (*b*) The rest £3,304,572 is the accumulated and undivided balance of the Profit and Loss Account. This item is never allowed to fall below £3,000,000. Hence to the extent of £3,000,000 it is what would be called in other Balance Sheets, a Reserve Fund. (*c*) Public Deposits £16,577,610. The Bank acts as banker to the Government, and this item represents the balances standing to the credit of the various Government Departments. (*d*) Other Deposits, Bankers, £58,331,534. These comprise the balances standing to the credit of all the banking customers of the Bank. All these banker customers regard their balances with the Bank of England as a cash reserve on which they can draw in case of need. (*e*) Other Deposits, Other Accounts, £35,687,253. This item represents the balances standing to the credit of the wealthy corporations and private persons who keep accounts with the Bank. The Bank, as a rule, pays no interest on these deposits. (*b*) Seven Day Bills, £3,340. This almost negligible item represents Bank Post Bills, which are bills issued by one branch of the Bank payable at another branch, or by Head Office. This form of remittance is now (1935) a thing of the past. There are no days of grace on Bank Post Bills, and the Bank issues them free of charge against immediate cash.

On the Credit Side we have (*a*) Government Securities £46,475,547. These comprise every kind of Government Security held by the Banking Department, such as Treasury Bills and the various War Loans, etc., including also security for the temporary advances made by the Bank to the Government, known as Deficiency Advances and Ways and Means Advances. Sometimes, Government revenue from Taxes, Customs, Excise, etc., lags behind Government expenditure. These advances are a temporary accommodation, and the Government pays them off as and when revenue is available. (*b*) Other Securities, Discounts and Advances, £7,098,791. These comprise the Bank's stock of discounted bills of exchange and Stock Exchange and other securities held as cover against advances made by the Bank to its customers. (*c*) Other Securities, Securities, £16,640,653. These represent every kind of investment made by the Bank on its own account, other than in Government Securities. (*d*) Notes, £57,362,801. These notes are equivalent to gold, since the cover for them is the gold held by the Issue Department. By presenting these notes to the Issue Department for payment, the following changes in the Returns of the Issue and the Banking Departments would be seen. In the Issue Department, Notes Issued would be reduced to Notes in Circulation £359,247,209, and Gold Coin and Bullion to £98,247,209; in the Banking Department, the item Notes would disappear and the item gold and silver coin would be increased to £58,242,318. (*e*) Gold and Silver coin, £879,517. This is the till money of the Bank.

The Bank Reserve. The most important information disclosed by the Bank Return is the proportion which the Banking Department's holding of gold bears to its outside liabilities.` In the above Return, the Bank is liable in respect of Deposits and Bills to the extent of £110,599,737. Against this the Banking Department holds Notes equivalent to Gold to the value of £58,242,318. Hence a sum in proportion shows that the Reserve is 52·66 per cent. of its outside liabilities.

The Significance of the Bank of England's Reserve. The maintenance of the Reserve at a level which experience has shown to be safe and conducive to confidence, is the prime concern of the Directors of the Bank. Not alone that the Bank may be in a position to meet the demands of its depositors whose balances are all repayable in cash on demand, but also that it may be in a position to avert disaster from foreign influences. For though the Bank does not theoretically acknowledge any duty beyond that due to its own shareholders, it nevertheless tacitly recognises the wider responsibility thrust upon it by the other banks of the country, and in moments of danger acts in a manner befitting the guardian of our national credit. To the mercantile public the fluctuations of the Reserve are no less important for a strong Reserve means a low Bank Rate, and a low Bank Rate means a low Market Rate for money, and with a low Market Rate money can be more easily borrowed, enterprise is stimulated, and the general tendency is towards an expansion of the trade of the country.

The stock of gold coin and bullion held by the Bank is, as already remarked, the only stock of free gold in the country. The Bank must hold a sufficiency of gold in order to ensure the convertibility of its notes, in order to comply with the law that all notes issued in excess of the fiduciary issue of £260,000,000 must be supported by gold to an equivalent amount. When this country was on a *Gold Bullion Standard*, gold could be obtained for the discharge of international indebtedness, in minimum quantities of 400 ozs. (fine). But Great Britain, owing to the world economic crisis, which occurred in 1931, abandoned gold altogether. The medium of exchange in this country, both internally and externally, is now the inconvertible Bank of England note. We have at present what is known as a *Sterling Exchange*. The currencies of the world (excluding the one or two silver using countries, of which China is the chief) are no longer all linked to a fixed parity with gold. They are, with variations in practice, comprised within two groups. These two groups are the *gold* group and the *sterling* group. The gold group proper comprises France, Holland, Poland, Switzerland, the United States, Italy, and Germany; and many other countries, with varying forms of restriction, keep their currencies for international trade purposes in unstable equilibrium with gold. The sterling group comprises Great Britain, Sweden, Norway, Denmark, Portugal, Finland, Estonia, Australia, New Zealand, South Africa, the Irish Free State, India, the Crown Colonies, Egypt, Japan, Siam, the Straits Settlements, Argentina, Brazil, Colombia and Paraguay. Roughly speaking, the two groups divide between them the world of international finance, but the currencies of the sterling group, being based upon a community of trade interests, and not upon a fixed parity with a particular metal, are yet, in actual operation, more stable than the gold-linked currencies with their automatically acting group movements. We have now in this country a *managed* currency.

International Trade. By this expression, as generally used, we must understand, not only the exporting and importing of merchandise that is continually going on between two countries, but *every* transaction between the Governments and the nationals of two countries, which creates a demand by one country for the currency of the other. The importation and exportation of merchandise (including gold and silver bullion), sometimes referred to as *Visible Exports and Imports*, is doubtless the greatest cause of the demand by one country for the currency of the other, but there are other most important ways in which this demand arises. These further sources of demand, sometimes referred to as *Invisible Exports and Imports*, may be enumerated under the heads of (*a*) Services. (*b*) Stock Exchange

Transactions. (c) Banking Transactions. (d) Speculation. (e) Loans. (f) Miscellaneous Sources of Demand.

(a) *Services.* These comprise the shipping, banking, and insurance services rendered by the nationals of one country to the nationals of another country, including the services of brokers and commission agents. Those benefiting from the services must pay the charges of those who render them. The cost of all these services adds to the cost of the merchandise exported or imported by a country.

(b) *Stock Exchange Transactions.* These debts arise from the investments made by the nationals of one country in those Government or industrial securities issued by another country, for which there is an international market, including interest or dividends payable on those investments. In addition to this genuine investment business there is a considerable amount of speculative dealing by financial institutions in such securities. Speculation differs from genuine investment business inasmuch as those who engage in it have no intention of holding the securities dealt in, but by simultaneous purchase in one financial centre and sale in another to reap quick profits on their transactions.

(c) *Banking Transactions.* Apart altogether from the demands for currency that arise from the settlement of international indebtedness, in respect of the importation and exportation of merchandise, which constantly necessitates the transference of funds by bankers in one financial centre to bankers in other financial centres, a most important additional demand arises from the transference of floating funds in the hands of the banks in one financial centre to the banks in a foreign financial centre, *e.g.* by the New York banks to the London, Paris, Berlin, Amsterdam banks, etc. Such transactions may be undertaken on private account or Government account, but in the main they are made by the banks and financial houses on their own account. The general reason for such transferences of floating funds by the banks and financial houses is that at times a higher rate of bank interest can be earned on fixed deposits in one financial centre than in another. Such transferences are usually in large amounts.

(d) *Speculation.* These debts arise from dealings by the financial institutions of one country in the currencies of other countries, not for the purpose of settling debts arising from genuine trade, but by in and out dealing to secure a quick profit on the transactions themselves.

(*e*) *Loans.* Every loan contracted by one country from the Government or the general public of another country occasions money payments between the two countries; if the loan is taken in cash, for the capital sum loaned, and always for the periodical repayments on capital account, and for interest on the outstanding amount of the loan.

(*f*) **Miscellaneous Sources of Demand.** In the aggregate, large sums are remitted annually by the nationals of one country to the nationals of another, (*a*) on grounds of affection, *e.g.* by emigrants to the United States who have prospered there to their poorer relations in Great Britain, (*b*) in respect of tourist traffic. For example, every British tourist in the United States, and every tourist from the United States in Great Britain, must provide himself with the currency of the country he is visiting in order to pay his expenses there, and usually he does this by carrying with him a Traveller's *Letter of Credit.**

Settlement of International Debts. The trade, financial, investment, speculative, and other activities enumerated above are constantly going on, all or some of them, now with greater, now with lesser, intensity between this country and practically every other country in the world, with the result that demands are continually arising for British currency on the part of foreign countries, and for the currencies of foreign countries on the part of Great Britain.

It will, however, simplify matters if we narrow our view to two countries, selecting for our purpose two of the most important commercial countries, say Great Britain and the United States of America, understanding, of course, by the word "countries" the Governments, banking companies, insurance companies, shipping companies, manufacturers, merchants, brokers, commission agents, and private persons of the two countries, who, by their international transactions, create demands for British or United States currency as the case may be.

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* A Traveller's Letter of Credit is a document in the form of a letter, issued by a banker, against cash paid by the purchaser, addressed to that banker's correspondents abroad, directing them to pay the sight drafts drawn upon him by the person named in the letter (provided the total of the drafts drawn do not exceed the sum stated in the letter), and to recoup themselves by negotiating the drafts so drawn. The beneficiary mentioned in the letter is identified, and his signature is attested, by an additional document, termed a Letter of Indication, which he carries with him separately from the Letter of Credit Such letters are issued by bankers for the convenience of travellers, and a foreign correspondent who pays a draft drawn under the authority of such a letter enters particulars of the payment on the letter itself. A similar purpose is served by *Circular Notes.* These consist of cheques, each for the same round sum (£10, £20, etc.), drawn upon the issuing banker. The correspondent who pays such a note recoups himself by drawing a sight draft for the amount upon the banker who issues the note.

First, we must remember that dollars are not currency in Great Britain, and pounds sterling are not currency in the United States. A small business is done by importing into Great Britain and selling here actual dollar notes, and by importing into the United States and selling there actual Bank of England notes. But this business is carried on mainly for the convenience of travellers between the two countries, though sometimes actual notes are purchased and remitted in payment of accounts of small amount. Apart from this money-changing business, dollars stay in the United States and pounds sterling stay in Great Britain. Those persons in the United States who have monetary claims upon persons in Great Britain will expect those claims to be discharged by the payment of dollars in the United States; and, in fact, those claims will be thus discharged. Similarly, those persons in Great Britain who have monetary claims upon persons in the United States will expect those claims to be discharged in pounds in Great Britain, and they will, in fact, be so discharged.

Secondly, we must understand that in the process of international settlement the rights of the two countries each to receive payment in its own currency, and the obligations of the two countries each to discharge its debts in the currency of the other, will be transferred to the banks of the two countries, and will finally, in the ordinary course of banking organization, be gathered up and concentrated in the foreign departments of the banks and financial houses of their respective financial centres—New York and London respectively.

Thirdly, we must understand that the banks and financial houses in New York have their banking correspondents in London, and the banks and financial houses in London have their banking correspondents in New York, and, for the purpose of international settlement, the New York institutions maintain sterling accounts in the books of their London correspondents, and the London institutions maintain dollar accounts in the books of their New York correspondents. Interest is allowed on the balances shown by these accounts, if they are credit balances. If the balances are debits, interest is charged. As a rule, of course, the important banking institutions maintain very large credit balances.

The dollar balance maintained by any one of the London banking institutions, in the books of its New York banking correspondents, is necessarily a fluctuating balance.

The Balance is Replenished:

(*a*) From the proceeds of bills of exchange, dividend warrants, interest coupons, drawn bonds, securities, etc., each representing monetary claims by British nationals upon United States nationals, received or purchased by the London institution from its customers, and sent by that institution to its New York correspondent, for realization and credit of proceeds in dollars.

(*b*) By the London institution's purchases of the rights to United States currency possessed by British trading corporations and firms. These rights will exist in the form of credit balances in New York banks, and will be transferred to the purchasing London institution by means of cheques drawn upon the New York banks. Nowadays, many large British corporations and firms transact their business in the United States through agents, and invoice their sales in dollars. The agents collect the invoices and pay the amounts into an account in a New York bank for the credit of their British principals. From time to time the British principals will offer portions of their New York balances to their London bankers for the sterling equivalents.

(*c*) By purchases from other London banking institutions, of portions of their rights to United States currency (see p. 391).

The Balance is Reduced:

(*a*) By the London institution's sales of rights to dollars to British corporations, firms, and private persons, who are under obligation to pay dollars to persons in the United States. Against the payment of sterling in London, the London institution will issue Demand Drafts or Cheques, Telegraphic Transfers * (T.T.'s) or Mail Transfers † (M.T.'s), to be paid by its New York correspondent in dollars, to the beneficiaries named in those instruments.

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* A Telegraphic or Cable Transfer is an order conveyed by telegraph from a banker in one financial centre to his correspondent in a foreign financial centre, directing that correspondent to pay a stated sum to a named person. The order is in code, and is authenticated by a test word (known only to the transmitting and paying bankers) inserted in the telegraphic message. If a London banker issues a cheque on his correspondent, say, in New York, a week at least must elapse before the cheque can be presented and paid; whereas when a T.T. is issued, the payment is made in New York within an hour of its transmission from London.

† A Mail Transfer is an order for the payment of money sent by mail by a banker in one financial centre to his banking correspondent in a foreign financial centre. It is not a cheque, but it serves the same purpose as a cheque. The foreign paying banker (from details contained in the

(*b*) By any payments made on behalf of the London institution by its New York correspondent, in respect of bills or drafts issued under Letters of Credit.*

(*c*) By sales to other London banking institutions of portions of its rights to United States currency.

The maintenance of the sterling balance kept by any one banking institution in New York with its London correspondent proceeds upon similar lines as outlined above. The London sterling balance is augmented (*a*) by the proceeds of bills of exchange, etc., representing monetary claims by United States nationals upon British nationals, received or purchased by the New York bank, and sent by it to its London correspondent for realization and credit of proceeds in sterling, (*b*) by purchases of sterling cheques from United States corporations and firms who maintain sterling accounts with London banks, (*c*) by purchases of the rights to sterling possessed by other New York banks. The sterling balance is reduced by the New York Bank's sales of rights to sterling to persons in the United States, who have to remit money to London, by sales to other New York bankers, and by payments made by its London correspondent in respect of bills or drafts drawn under Letters of Credit.

Foreign Exchange Markets. The actual work of buying and

M.T.) informs the beneficiary by whose instructions the payment is made, and for what purpose it is made, and obtains a receipt for the payment. Mail Transfers are not confined to a single payment to one person, but one M.T. may direct many payments to many different persons.

* Travellers' Letters of Credit have been explained at p. 388. The Letters of Credit here referred to are commercial letters of credit, issued for the purpose of facilitating and financing international trade. A letter of credit (L/C) may be defined as a document issued by a banker (*e.g.* in London) authorizing his banking correspondent in a foreign centre (*e.g.* New York) to pay the drafts of the person in whose favour the letter is issued (termed the beneficiary), provided that that person observes the formalities mentioned in the letter, and to charge the drafts so paid to the account of the grantor of the letter. Such a letter is restricted to a definite amount, and is valid only for a specified period of time. The banker issuing the letter debits his own customer, who arranges the issue of the letter, with the payments as and when they are made, or obtains from him cover in advance. There are many varieties of these documents, viz. (*a*) Acceptance Credits (banker undertakes to accept and pay drafts drawn upon him), (*b*) Documentary Credits (drafts must be accompanied by bills of lading, insurance policies, etc.), (*c*) Confirmed Credits (irrevocable), (*d*) Unconfirmed Credits (revocable), (*e*) Revolving Credits (renewable when the amount of the original credit has been utilized), (*f*) Blank Credits (used between banker and banker), etc.

selling foreign currencies is effected in the Foreign Exchange Markets of the financial centres of the world. The London Foreign Exchange Market (so, too, the New York Foreign Exchange Market) consists of two groups. On one side are the bankers and financial houses, on the other the exchange brokers. The bankers and the financial houses are the *principals*; they are the actual buyers and sellers of the currencies, for they have to supply both their customers' and their own requirements for foreign currency. The brokers act as impartial price-makers. They bring two principals together and enable those principals to deal at the ruling market rates for the currencies as ascertained and quoted by the brokers. All deals are done through the brokers, and no principal knows of whom he has bought or to whom he has sold currency until the broker discloses the name of the seller or buyer as the case may be. When the broker has disclosed the name, he steps aside and leaves the two principals to complete the transaction, the buyer to pay for the foreign currency by a sterling cheque and the seller to deliver the foreign currency by means of one or other of the instruments mentioned at the end of this paragraph. The brokers have no interest in the rates. They quote the same rates both to buyers and sellers. Thus they may quote New York 4.86–4.86$\frac{1}{16}$, which means that, on behalf of the market, they can sell dollars at 4.86 to the £1 and buy dollars at 4.86$\frac{1}{16}$ to the £. The brokers are not rewarded by a profit, *i.e.* by the difference between the buying and selling rates, but by a small fixed brokerage, paid to them by the principals, on the amount of business transacted on their behalf. Principals and brokers are connected by telephone, and all business is done by telephone.

The chief instruments used for the transfer of currency resulting from these dealings are the Telegraphic Transfer, the Mail Transfer, and the cheque or Bankers' Draft. These instruments are drawn by the London principals upon their New York banking correspondents, and are payable in dollars to the beneficiaries, and by the New York principals upon their London correspondents, payable in sterling to the beneficiaries.

Exports are Paid for by Imports. If the foregoing brief explanation is sufficiently clear, the student will be able to understand that what really happens in this daily work of international settlement is that the debts of the United States to Great Britain, represented by bills of exchange, cheques, T.T.'s, M.T.'s, etc., are set off against similar instruments representing the debts of

Great Britain to the United States; or in other words that British exports of all kinds to the United States—goods, services, securities, etc.—are paid for by the same sort of exports by the United States to Great Britain. Further, it will be understood that at any particular point of time the indebtedness on both sides arising for settlement may, roughly, be equal, or one country may be under the necessity to pay much more than the other, and that either position may persist for considerable periods of time.

The Law of Supply and Demand. The buying and selling of foreign currencies is governed by the same law of supply and demand as is the buying and selling of ordinary commodities. If, for example, the demand for wheat exceeds the supply of that commodity in the market, the price of wheat rises; if supply exceeds the demand, the price falls. Similarly, if on a particular day more dollars are bid for in the London Foreign Exchange Market than are offered for sale, the price of dollars in terms of pounds rises; and if, on the other hand, more dollars are offered than are bid for, the price of dollars falls. It will be understood, of course, that the bidding of dollars will arise on behalf of those who are under obligation to pay dollars in the United States, and the offering of dollars will arise on behalf of those who are due to receive pounds from the United States.

The Mint Par of Exchange. Both United States and British currencies are based upon the gold standard. One gold sovereign is of exactly the same value as 4.86⅔ gold dollars, because, according to the currency laws of the two countries, one gold sovereign contains the same weight and fineness of gold as 4.86⅔ gold dollars. This relationship between the two currencies is known as the *Mint Par of Exchange*, and, so long as the currency laws of the two countries remain what they are, it is an invariable relationship. The Mint Par of Exchange may be defined as the exact equivalent of the currency unit of one country expressed in terms of the currency unit of another country, determined by the quantity of pure gold contained in the two units, as fixed by the currency laws of the two countries. So 4.86⅔ gold dollars *in London* is exactly equivalent to one gold sovereign, and one gold sovereign *in New York* is exactly equivalent to 4.86⅔ gold dollars. But to send sovereigns or bar gold from London to New York entails expense for freight, insurance, commission, loss of interest, and, in the case of bar gold, assaying, so that after deducting these expenses the *net* rate of exchange realized by buying gold in London, shipping it to New York and selling it there, will be somewhat lower than $4.86⅔ for each £1. Similarly, the sending of gold dollars or bar gold to London entails the same items of expense, so that adding these expenses to the cost of the gold the *net* rate of exchange realized in London will be somewhat higher than $4.86⅔ for·each £1. The exact *net* rates of exchange produced by sending gold from London to New York and *vice versa* cannot be fixed with meticulous accuracy, but roughly speaking, the rate produced in New York is £1 = $4.8467, and the rate produced in London is $4.897 = £1. These two rates of exchange, the one below, the other above, the mint par are known as *gold*, or *specie*, or *Bullion Points*. They are so called because, when the market rate of Exchange London on New York falls below £1 = $4.8467, gold may begin to be shipped from London to New York, since it will then be cheaper for London to discharge its indebtedness to New York by shipping gold, thus realizing $4.8467 for each £1, than by buying and remitting T.T.'s, M.T.'s, cheques, bills of exchange, etc., and realizing fewer dollars per £1 than £4.8467; and when the market rate of exchange rises above £4.897 = £1 gold may begin to be shipped from New York to London, because it will then be cheaper for New York to discharge its indebtedness to London by sending gold, thus realizing £1 for every $4.897, than to buy and remit T.T.'s, M.T.'s, cheques, bills of exchange, etc., and realize less than £1 for every $4·897.

Payment in Gold. If, then, at any particular point of time, there are more buyers than sellers of dollars in the London Foreign Exchange Market, because Great Britain is under the immediate necessity of paying a much greater sum in the aggregate to the United States than it has immediately to receive from that country, the price of the pound in terms of dollars, *i.e.* the *current rate of exchange*, or the *market rate of exchange*, as it is called, will begin to fall; that is to say, sellers of dollars will offer fewer dollars for each pound than they would if the supply of dollars approximated more closely to the demand. And if this state of affairs persisted day by day for a considerable period of time, there would be a progressive fall in the price of the pound, fewer and fewer dollars being offered for each £1, until it might very well happen that less than 4.8467 dollars would be offered for each pound. As already explained, when the market rate of Exchange London on New York falls to a lower level than 4·8467 dollars to the pound, it becomes profitable to ship gold to the United States, because the gold will realize in New York a rate of exchange of $4.8467 per pound. The result is, if this condition is likely to continue, that the New York bankers will secure as many bills of exchange on London as possible (for they can then be bought cheaply), forward the bills to London for discount or sale, withdraw the proceeds in Bank of England notes, exchange, the notes for gold at the Bank, and have the gold shipped to New York. Thus the Bank's stock of gold, and the proportion of its metallic reserve to its liabilities, will steadily be reduced.

Raising the Bank Rate. When the Bank of England is faced with such a situation as outlined in the last paragraph, its great defensive measure is to raise the Bank Rate. Bank Rate is the official minimum rate at which the Bank of England will discount approved bills of exchange. This official minimum rate is the rate upon which all other interest and discount rates throughout the country are based. For example, the interest rate for bank deposits is 2 per cent. under the current Bank Rate, and the interest rates for money lent by the banks in the London Money Market to bill brokers, stockbrokers, and others, for short periods, and to customers on loans and overdrafts, is also adjusted to the current Bank Rate, rising or falling as Bank Rate is increased or decreased. A rise in Bank Rate induces the public to increase their bank deposits, because of the increased interest then paid on deposits; and if the deposit rate is superior to that allowed in New York, will attract bank deposits from that centre. At the same time, for the reason that higher interest is charged for loans, production will be slowed down, and credit and currency in this country will be curtailed, with the result that the purchasing power of the currency will be increased and commodities will become cheaper. Hence our exports will be likely to increase and our imports to decline. And so, with a flow of money from New York to be placed on deposit in our banks, and a lowered internal price-level, resulting in expanding exports and diminishing imports, the market rate of exchange, pounds for dollars, will begin to rise—that is, more and more dollars will have to be given for each £1 until it no longer becomes profitable to withdraw gold from London. Indeed, the pound sterling may go on appreciating in terms of dollars until it may become profitable for New York to send gold to London. That situation is reached when, owing to the greater demand for sterling than for dollars (because the United States has daily more to pay than to receive from Great Britain), the market rate of Exchange London on New York, or the price of the pound sterling in terms of dollars, has risen above the exporting gold point, viz. £1 = $4.897, for then it is cheaper for New

York to send gold to London than to buy and remit credit instruments at the less favourable market rate of exchange.

The student is cautioned that the skeleton outline given above of the way international indebtedness is contracted and discharged, does not pretend to provide anything more than a broad, general outline of the process. Within its limits the description is roughly true, and the student can safely build upon it. But the whole subject is very difficult, and an adequate grasp of it can be secured only by studying a formal treatise, such as *The Principles and Arithmetic of Foreign Exchange*, by S. E. Thomas. That, however, will come later in the student's career.

The Crisis of 1914. The greatest crisis ever faced by the Bank was during the months preceding and succeeding the outbreak of war in August, 1914. On August 1, 1914, the Bank rate was advanced to the extraordinary rate of 10 %, and permission was obtained to suspend the Bank Act, and issue notes uncovered by gold, but the subsequent issue of Treasury notes made an excess issue unnecessary. These measures would not in themselves have sufficed to meet the situation. It was a case not for the Bank but for the nation, so imminent was the danger of complete financial collapse. On August 3, the Government passed a Moratorium Act, *The Postponements of Payments Act*, 1914, and by virtue of the powers there conferred, the day of payment of bills of exchange, except those payable on demand, accepted prior to August 4, 1914, was, on the bills being re-accepted by the acceptors in approved form, postponed to one month later than the original day of payment. This relief was also given to the drawers and endorsers of the bills, and interest was payable on them at the Bank's rate of discount at the time of re-acceptance. The Moratorium was subsequently extended to debts arising "in respect of any contract," and successively prolonged, with modifications, till it expired on the 4th November. On August 5th, Postal Orders were constituted legal tender as a stop-gap measure till the new Currency notes were prepared in sufficient volume. These were ready for issue on August 7th. At first they were convertible at the Bank of England, but subsequently they were made inconvertible. To relieve the Marine Insurance market, incompetent to sustain the burden of War losses, and to safeguard the nation's food, the Government inaugurated a State War Insurance Scheme for British shipping both for hulls and cargoes. On August 12th the Government agreed to guarantee the Bank against loss incurred in discounting for the holder "until further notice" and "without recourse to the holder" approved bills of exchange accepted prior to August 4th. The rate charged was 2 % in excess of the varying Bank rate. A very large amount of these pre-moratorium bills were discounted by the Bank. The extra 2 % served the purpose of an insurance fund, and the expression "until further notice" was taken to mean until the termination of the war. By the *Courts Emergency Powers Act*, 1914, no execution to enforce any judgment for recovery of a debt was permitted until the creditor had convinced the court that the debtor's inability to pay was not due to the war. On September 14th, the Stock Exchange Committee, in conjunction with Treasury officials, issued a schedule of minimum prices for the purchase of British, Indian and Colonial Government Securities; for County, Corporation, and Public Board Stocks; and for Trustee Securities. The Stock Exchange closed its doors on July 1, 1914, and was not reopened until January 4, 1915. By these and numerous other measures, improvised to meet public needs as they were disclosed, the unparalleled and prolonged crisis was successfully met, and British finance saved from disaster.

THE MONEY MARKET

The London money market comprises the dealers in money and credit. It consists of the Joint Stock Banks, the Discount Houses, the great Financial Houses and the Bill Brokers in the City of London; and, because most of these are located in or about Lombard Street, the London money market is often shortly referred to as Lombard Street. Its function is to organise and regulate the demand for and supply of loanable capital, and to fix the rate for loans, particularly for short loans. So successfully has it fulfilled this function that it has long ago outgrown its territorial designation, until nowadays its operations, and the influence of its quoted rates, extend to every corner of the world. It is computed that for the year 1928 its earnings by way of interest and commission on foreign account exceeded £30,000,000.

Broadly speaking, the money market comprises the aggregate number of lenders and borrowers irrespective of the period term, or conditions on which the transactions are effected, but in the narrower technical sense it connotes the market for short loans.

The Bank of England stands outside the money market. It acts as arbiter of the rate charged for loans, the Bank rate, which is fixed by the Court of Directors at their Thursday's meeting, being the base rate on which the London Joint Stock Banks (whence most of the loanable capital fund is derived) fix their rate for deposits (usually 2 % under Bank rate) and their rate for ordinary mercantile borrowings. But, nowadays, Bank Rate has not the commanding influence that it used to have. In a financial crisis it would, in the long run, dominate interest rates. But, ordinarily, owing to the immense resources of the Joint Stock Banks, which must employ their surplus funds profitably in order to earn dividends for the shareholders, money is borrowed and lent at rates that would not be justified if Bank Rate were the sole governing factor.

LONDON RATES.

	June 26, 1930.	June 27, 1930.	June 28, 1930.	June 30, 1930.	July 1, 1930.	July 2, 1930.	July 3, 1930.
	%	%	%	%	%	%	%
Bank rate (changed from 3½ % May 3, 1930)	3	3	3	3	3	3	3
Market rates of discount—							
60 days' bankers' drafts	2 3/8	2 3/16–1/4	2 3/16–1/4	2 3/16–1/4	2 3/16	2 3/16	2 1/4
3 months' do.	2 1/4	2 3/16–1/4	2 1/4	2 3/16–1/4	2 5/16	2 7/32–1/4	2 5/16
4 months' do.	2 3/8	2 5/16–3/8	2 5/16	2 5/16	2 5/16	2 5/16–3/8	2 3/8–7/16
6 months' do.	2 3/8	2 1/2	2 1/2	2 9/16–5/8	2 5/16–3/8	2 3/8–7/16	2 3/8–3/4
Discount (Treasury Bills)—							
2 months'	2 1/4	2 1/8–3/16	2 5/32–3/16	2 5/32–3/16	2 1/8–3/16	2 1/8–3/16	2 1/8–1/4
3 months'	2 1/4	2 1/8–3/16	2 5/32–3/16	2 1/8–3/16	2 5/32–3/16	2 3/16	2 1/4–5/16
Loans—Day to day	1 1/2	1 1/2–2	1 1/2–2	2–4	1 1/2–2	1 1/2–2	1 1/2
Short	3	2 1/2–3 1/2	2 1/2–3 1/2	2–4	2	2	2
Deposit allowances: Bank	1	1	1	1	1	1	1
Discount houses at call ...	1	1	1	1	1	1	1
At notice	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4

Quoted Rates. The above table, taken from *The Economist*, shows the different rates quoted in the money market for loanable capital.

Bank Rate. This is the Bank's rate for discounting approved bills of exchange for persons other than its own customers.

Market Rates of Discount. These are the rates charged by Bankers other than the Bank, and Brokers, for discounting first-class bills. The rates increase with the length of time the bills have to run before they mature for payment, a bill with 60 days to run being discounted at a lower rate than one that has three months to run, and a still lower rate than one with six months to run.

Discount (Treasury Bills). These are the rates of discount at which Treasury Bills have been allotted to those who have successfully tendered for them.

Loans—Day to Day—Short. **These are the rates charged by**

Bankers for money lent against security, repayable at call or within seven days.

Deposit Allowance—Banks, Discount Houses. These are the rates allowed by Bankers and Discount Houses for money left with them on deposit account, or repayable at short notice. The Bankers' rate for money lent " at call " is dependent on the deposit rate which they allow to their customers, and that, as pointed out, turns upon the Bank rate. An increase in the Bank rate causes an increase in the Deposit rate, and that in turn necessitates an increased Call rate. If brokers have to pay a higher rate for use of the funds with which they buy bills, they must charge more for discounting the bills bought, and thus the market rate of discount goes up. But competition in the discount market tends to keep down the discount rates, so that the Bank rate only directly affects the market rate when monetary conditions are very stringent. It will be noted that fixed deposits repayable after notice duly given carry a slightly higher rate of interest than deposits repayable at call.

The Price of Loanable Capital. The student will note that what is really bought and sold, or borrowed and lent, is generally not actual money, but credit, *i.e.* the power to use credit instruments, cheques and bills of exchange—the credit instruments, if required, being readily turned into legal tender by those to whom they are given—and, as with all other things, the price of loanable capital or credit is determined by the relative intensity of supply and demand. This price is termed interest, and the interest is higher when loanable capital is scarce and the demand great than when it is plentiful and the demand is slack. The Bank of England acts as arbiter of the relative intensity of these two forces—demand and supply—the lowest rate at which it will lend capital to its customers, or the Bank rate, as it is called, being the basis on which lenders of capital fix the rate of interest for advances, but see p. 398.

Whence Loanable Capital is derived. The Joint Stock Banks are the immediate sources whence the greater proportion of loanable capital is obtained. The remote and originating source is the nation itself. Ordinarily the nation spends less than it earns, and the surplus of its earnings is placed with the banks on deposit or current account, whence it finds its way into the hands of those who desire to borrow. A large proportion of these deposits must be kept in legal tender to meet withdrawals and to provide a margin for contingencies. The remainder is invested in safe and easily realisable securities; in discounting bills of exchange, and in granting loans and advances against security to customers. Over and above the funds employed in these modes, there is a fluctuating balance of money which forms the fund of the short loan market. At the present time this fund may be taken to aggregate from £100,000,000 to £120,000,000.

Factors Influencing the Demand. The demand for loanable capital depends primarily on the state of trade. Brisk trade increases the number of bills, and these necessitate more capital for discounting them. It not only depends upon the *state,* but also upon the *character* of the trade, for when trade is really sound, and exhibits genuine expansion, confidence is begotten, and capital is more readily lent by those who have it at their disposal. It also depends upon political and social conditions. When the political horizon is darkened by wars or rumours of wars, or when grave social unrest is vexing the domestic life of the nation, lenders of capital, in common with most other men, grow apprehensive, and do not lend so freely as in times of quietude and confidence. Finally, the supply depends upon the scope of Stock Exchange investment—a brisk state of the investment market requiring more capital to feed it than does a stagnant condition.

Treasury Bills. Treasury Bills are issued by the Treasury through the Bank of England. Originally they were issued to enable the Government to meet expenditure in advance of the receipt of revenue. But during the Great War these bills were utilised as a regular means of Government borrowing, and at the time of writing (May 25, 1935) the amount outstanding is £852,000,000. This large item forms part of what is known as the Floating Debt. Treasury Bills are issued at a discount from their face value, and are sold, usually by tender but sometimes at a fixed price. The usual currency of these bills is three months.

The table on page 401 is taken from *The Economist.* Compare the present rates with those obtaining in 1930, *viz.* £2 2s. 11*d* average.

The Treasury also issues securities known as *Exchequer Bonds.* These bonds are payable to bearer. They carry interest at fixed rates, and are repayable on fixed dates.

THE BANKERS' CLEARING SYSTEM

The London Bankers' Clearing House is situated in Post Office Court, Lombard Street. Most of the largest towns also possess Bankers' Clearing Houses. The origin of the system is not certainly known. Most probably it originated in unauthorised proceedings by the clerks deputed to settle the claims between the respective banks. But however it arose, it has developed with the progress of the banking system and has become so integral a part of it that it could not possibly be dispensed with. Not all the London banks are members of the Clearing House, but those who are—eleven in all—have desks at the establishment in Post Office Court.

There are three clearings: (1) for Town cheques—in two divisions, one in the morning and one in the afternoon, (2) for Metropolitan cheques (*i.e.* cheques payable in the Metropolis, but at banks outside the Town clearing), (3) for Cheques on Provincial banks. These are termed respectively, Town, Metropolitan, and Country Clearing.

TREASURY BILLS BY PUBLIC TENDER.

Tenders for £40,000,000 Treasury bills were opened on May 24, 1935, and the total amount applied for was £57,885,000. Tenders were accepted for Treasury bills at three months dated Monday to Friday at £99 17*s*. 4*d*., and above in full; Saturday at £99 17*s*. 4*d*., about 77 per cent., and above in full. The average rate per cent. was 10*s*. 5·90*d*. The amount allotted was £40,000,000. The following table shows the weekly record at various dates:—

Date.	Amount Offered.	Total Applications.	Amount Allotted.	Average Rate %.
1935				
January 4	30,000,000	49,560,000	27,500,000	0 6 1·64
April 5	40,000,000	76,095,000	40,000,000	0 10 2·93
April 12	35,000,000	75,195,000	35,000,000	0 10 1·41
April 18	35,000,000	81,740,000	35,000,000	0 10 1·31
April 25	35,000,000	82,480,000	35,000,000	0 10 1·85
May 3	35,000,000	86,555,000	35,000,000	0 10 1·01
May 10	35,000,000	116,215,000	35,000,000	0 10 0·03
May 17	35,000,000	62,805,000	35,000,000	0 10 2·95
May 24	40,000,000	57,885,000	40,000,000	0 10 5·90

We will take the case of the Town Clearing, and limit the illustration to six clearing banks, which we will designate by the letters, A, B, C, D, E and F. A has cheques to a certain value paid in by its customers drawn on B, C, D, E and F; B similarly has cheques paid in by its customers drawn on A, C, D, E and F; C also has cheques on A, B, D, E and F, and so on. If each bank paid a cheque for the total amount presented against it by each of the other banks, and received a cheque from each of the others in respect of its claims against them, then the settlements would involve the passing of thirty cheques, or if differences only were settled, fifteen cheques. What happens, however, is as follows:

At Bank A specially ruled sheets are kept, the columns being headed with the names of the clearing bankers, B, C, D, E and F. As the cheques come in to the bank they are sorted and entered upon these sheets in the appropriate columns. The entering is done by calculating machines, the clerks typing the amounts of the cheques, etc., on to the sheets, and the columns of figures being automatically cast by the machine as typing proceeds. These sheets are termed the *out-books*, and the clerks who compile them, *out-clearers*. The cheques, etc., are then tabbed together—cheques, etc., payable by B in one bundle, those payable by C in another, and so on—taken to the Clearing House by clerks called *runners*, and deposited on the different desks—B's bundle on B's desk, C's bundle on C's desk, and so on. At each of the clearing desks clerks, termed *in-clearers*, are seated. These in-clearers (servants of the respective banks) separately enter the amounts of the cheques, etc., in their bundles, on sheets similar to those used by the out-clearers. These sheets are termed, *in-books*, and it will be apparent that the out-books of A, so far as they relate to B, will be identical with the in-books of B so far as they relate to A. As fast as the bundles of cheques, etc., or *charges* as they are called, are entered and tabbed by the out-clearers of A, they are deposited by A's runners on the desks of the in-clearers, who enter them in their in-books. At a few minutes past four o'clock the doors are shut, and the out-clearer of A brings along his out-books. The in-clearer of A then has side by side the out-books, showing A's charges against B, C, D, E and F, and his own in-books, showing the charges of B, C, D, E and F, against A. After the in-clearers have agreed the totals of these summaries, *i.e.* after A's charges against B, C, D, E and F, as shown by his out-books, have been agreed with the totals recorded in the columns given up to A in the in-books of B, C, D, E and F; and B, C, D, E and F's charges, as shown by their out-books, have been agreed with the totals in the respective columns of A's in-books; A strikes a balance between each of the totals in his in-books and the respective totals in his out-books. If A's out-total against B is greater than the total of B against A, as shown by A's in-books, A has to receive on balance, and B to pay, and *vice versa.* These balances are entered upon a list headed by the name of A's bank, ruled with money columns on the left and right, headed respectively Drs. and Crs. and having the names of the clearing bankers printed down the centre. If A has to receive on balance from B he enters the balance on the Dr. side against B's name; if he has to pay, he enters the balance against B's name on the Cr. side. When all the balances are entered, the two sides of the list are balanced, and the balance, either a Dr. or a Cr. balance, is the amount which finally A owes or is owed on the day's clearing in respect of all the banks.

These individual balances are transferred to a *Summary Sheet* either to the Dr. or Cr. side as the case may be, and of course this general clearing list will exactly balance. If A had to receive a balance on general clearing he would make out on a *green* form a transfer addressed to the Bank of England, directing them to transfer the amount from the Account of the Clearing House to his, A's account; and get the transfer signed by the Superintendent of the Clearing House. If A had to pay on general balance he would make out an order on a *white* form, directing the Bank of England to transfer the amount from his balance at the bank to the account of the Clearing House, and also get it signed by an Inspector at the Clearing House. Each clearing bank has a large account with the Bank of England, and keeps a book called the *Goldsmith's Book* in which all such transfers, and all payments into and withdrawals from the Bank, are recorded.

While this compilation of totals and agreeing of balances is being carried on, the runners have taken the bundles of charges, after they have been entered in the in-books, to their respective banks, and handed them over to the clerks whose duty it is to *pay the clearing*. The cheques, etc., are carefully scrutinised, and any that cannot be paid are marked with the reason for refusal, and taken back to the in-clearers of the bank refusing them, who enter them on the Dr. side of their lists. They are then distributed amongst the desks, and entered by the in-clerks of the presenting bankers on the Cr. side of their lists. The total of the general balance is the total after these *returns* have been taken into consideration. In the town clearing all payments are made and cheques returned on the same day as they enter for clearing.

The Metropolitan Clearing is effected in precisely the same way. The cheques dealt with are cheques drawn upon suburban branches of the clearing banks, and upon other banks outside the Town Clearing. In order that cheques in the Metropolitan

Clearing should be paid or returned the same day they must be presented for clearing before 10.30 A.M.

The Country Clearing is also similar. Every Country bank has either its London agent or head office in London, and all cheques are presented and cleared through these London Agents or Head Offices. Local country cheques are not, however, remitted to the London agent, but cleared through the local Clearing House, and settled by transfers on the local branch of the Bank of England. Branches of the Bank are established at Birmingham, Bristol, Hull, Leeds, Liverpool, Manchester, Newcastle, Plymouth and Portsmouth. Cheques, etc., passing through the Country Clearing are not paid or returned till the third day.

Scottish Cheques are cleared through the Scottish Clearing Houses; Irish Cheques through the Irish Clearing Houses. There is no central Clearing House for the clearing of cheques on all three countries, and Scottish and Irish charges must be remitted for settlement by post. This explains why bankers charge a commission for collecting Scottish and Irish cheques.

The student will see in the left-hand corner of cheques the letters T. or M. or C. These letters indicate the clearing through which the cheque will pass. T. stands for Town Clearing, M. for Metropolitan, C. for Country.

Some banks in the Town and Metropolitan areas, *e.g.* foreign and colonial banks, do not clear through the Clearing House, except one way, *i.e.* the cheques, etc., paid to them by their customers, Cheques, etc., drawn on them are collected by messengers termed " walks clerks," and such banks are said to be on the " walks."

TEST PAPER XXVII

1. State what you know of the Origin of the Bank of England.
2. Explain the difference between a Private and a Joint Stock Bank, and wherein a Savings Bank differs from either.
3. What is a Bank of Issue? How many such banks are there?
4. Enumerate the functions of a Trading Bank, and explain them as fully as you can.

5. Explain Commercial Credit; Banking Credit.

6. With what object were Savings Banks started? Give the main regulations governing public deposits in the P.O. Savings Bank. What is the maximum provision any one can make through the P.O. and in what forms can it be done?

7. Is the Bank of England a Government Bank? Give the main provisions of the Bank Act, 1844.

8. What do you understand by the "Fiduciary Issue," and what is its extent? Explain "Rest"; "Active Issue"; "Notes in Reserve"; "Other Deposits"; "Other Securities"; "The Reserve," used in connection with the Bank Return.

9. Why is the Bank Reserve of so much importance to the British people?

10. What are the influences tending towards a depletion of the Bank's Reserve, and what are the methods taken by the Directors to conserve the Reserve?

11. Explain the effect of increasing the Bank Rate. Why should an increase in the Rate affect the ordinary trader?

12. Explain as fully as you can the working of the Banker's Clearing System. What do the letters T, M, and C, which appear on cheques, signify? Why should bankers charge their customers for collecting Scotch and Irish cheques?

13. What do you understand by the phrase "Price of Loanable Capital," and what are the influences affecting the price? Whence is loanable capital obtained?

14. If the last Day of Grace is a Bank Holiday, on what day is a bill due?

15. What are Documentary Bills?

16. Which of the following instruments are negotiable: Cheque, I O U, L/C, B/L?

17. Define an inland and a foreign Bill. What are the essential points of difference between them?

18. A cheque endorsed to you by the payee is returned from your bank marked "refer to drawer." What would you do with it?

CHAPTER XIX

THE FOREIGN EXCHANGES

(See Note on p. 431)

BRIEF reference has already been made to the subject of Foreign Exchange in Chap. XVIII, when explaining the way in which one nation discharges its indebtedness to another. It was there mentioned that the instruments by which international payments are made are: the bill of exchange, the cheque, the telegraphic transfer, the mail transfer, and by such miscellaneous instruments as dividend warrants, coupons, bonds, etc., and that only in the last resort, when gold is the cheapest form in which a remittance can be made, is actual gold used in international settlement, and then only between countries which have established a gold standard, and where the gold standard is effective.

Meaning of the Term "Foreign Exchange." The operations of trade, using the word "trade" in its widest possible significance, give rise to debts. In the home trade these debts are evidenced and discharged by means of credit instruments—the cheque and the bill of exchange. The debts arising from foreign trade are similarly evidenced and discharged, but whereas in the home trade, the cheque or bill is drawn and discharged in one and the same country and currency, in foreign trade the cheque or bill is drawn in one country, and must perforce be discharged in a different country and in that country's currency. The credit instruments, arising from international trade—evidences of, and engagements to pay, debts—are marketable commodities. Like all other commodities they are bought and sold at prices varying with their descriptions and the state of the Exchange Market; and they are used by debtors to discharge their international obligations. Widely considered, the term "Foreign Exchange" may be taken to signify all those operations and transactions comprised in the settlement of international indebtedness by means of credit instruments.

At the outset the student will meet with two contrasted expressions which require brief definition, viz. *Mint Par of Exchange,* and *Current Rate of Exchange.* The Mint Par of Exchange is the legal ratio which the standard gold coin of one country possessing a gold standard bears to the standard gold coin of each of the other gold-standard countries, or the legal ratio between the standard silver coins of silver-standard countries The weight and fineness of the metallic content of standard coins is fixed by the currency laws of the respective countries, and so long as these currency laws remain unaltered the Mint Pars of Exchange must remain unaltered. The Mint Par of Exchange is thus an invariable rate. The Current Rate of Exchange is the rate that must be paid in one exchange market, say in sterling in the London market, for credit instruments drawn on and payable in another financial centre in that centre's currency, say in dollars in New York. This rate is constantly changing, according to fluctuations in supply and demand. The Mint Par of Exchange relates to the actual metal, gold or silver, as the case may be, contained in the standard coins; the Current Rate of Exchange is concerned with the credit instruments which represent the metal in the standard coins.

Mint Par of Exchange. The *Coinage Act,* 1870, enacts that the sovereign shall contain 7·988 grammes or 123·274 grains of standard gold, *i.e.* $\frac{11}{12}$ fine. German currency law enacts that 69¾ 20-mark gold pieces, $\frac{9}{10}$ fine, shall be coined from 500 grammes of fine gold.

? marks = £1.
If £1 = 7·988 grammes $\frac{11}{12}$ fine
and grammes 12 = 11 grammes fine
and grammes fine 500 = 1395 marks (*i.e.* 69¾ 20-mark pieces)

$$\text{then} \quad £1 = \frac{7·988 \times 11 \times 1395}{12 \times 500} = \text{mks. } 20·429 \text{ or } 20·43$$

Similarly, by French Currency Law, 100 francs contain 6·55 grammes of gold $\frac{9}{10}$ fine.

? fcs. = £1.
£1 = 7·988 grammes $\frac{11}{12}$ fine.
Grammes 12 = 11 Grammes fine
Grammes fine 900 = 1000 grammes French Standard
Grammes 6·55 = 100 francs

$$\text{hence} \quad £1 = \frac{7·988 \times 11 \times 1000 \times 100}{12 \times 900 \times 6·55}$$

$$= \text{fcs. } 124.21.$$

By United States Currency Law. A $10 gold piece consists of 258 grains of gold $\frac{9}{10}$ fine.

? dollars = £1.
If £1 = 123·274 grains $\frac{11}{12}$ fine
and 12 grains = 11 fine
and $\frac{9}{10}$ of 258 grains = $10

then £1 = $\frac{123{\cdot}274 \times 11 \times 10}{12 \times 232{\cdot}2}$ = $4.866 or approx. $1 = 49$\frac{5}{16}$*d.*

It will be seen from the foregoing examples that the Mint Par of Exchange is little more than the physical measurement of the sovereign in terms of Gold Marks, Francs, Dollars, etc.; much as if we were to say that 100 lbs. avoirdupois are equal to 45·36 kilos. It is, however, something more than this, because when, *e.g.*, it is said that £1 = 124.21 gold francs it is not meant that any sovereign actually contains as much gold as any fcs. 124·21, or *vice versa.* It may or may not be so, according to whether the sovereign and the francs were originally of full weight and the exact degree of fineness prescribed by law, and still retain their weight, or not. But whether it is or is not the fact that there is as much gold in any sovereign as in any fcs. 124.21, matters nothing. The laws of the respective countries say that there is, and until the laws say otherwise then the Mint Pars, *e.g.* £1 = fcs. 124.21, or £1 = mks. 20.43, or £1 = $4.866, hold good. This, then, is the reason why the mint par of exchange between the standard coins of gold standard countries is invariable.

Note that there can be no mint par of exchange between a gold standard country and a silver standard country, or between a gold standard country and a country whose currency is inconvertible and depreciated paper. In gold standard countries silver is merchandise, bought and sold at market rates, and the value of silver in terms of gold is continually changing. In countries possessing an inconvertible or depreciated paper currency gold is always quoted at a greater or less premium in terms of paper. There can, however, be a mint par of exchange between two standard silver coins, *e.g.* the Japanese silver yen and the Rupee. The Japanee silver yen consists of 416 grains $\frac{9}{10}$ fine; the Indian rupee of 165 grains of fine silver to 15 grains alloy. Hence

? rupees = 100 yen
1 yen = $\frac{9}{10}$ of 416 grains fine
165 grains fine = 1 R.
Hence 100 yen = Rs. 226·91

Current Rate of Exchange. If, waiving the impossibility of such a proceeding, primitive conditions prevailed, and merchants trading abroad were in the habit of carrying large sums in gold, and settling their accounts in person, then the settlements would be effected at the mint par, *i.e.* selecting France as an example, the British exporter would receive the value of his export in gold francs, and the French exporter the value of his in sovereigns. But exports and imports are not and cannot be settled in this way. Ignoring those cases where the debt due to an exporter is liquidated by an import received from his debtor, or partially liquidated by an import (the balance being received in the shape of a Bill of Exchange),—a British trader, when he exports goods to France, does one of two things. (1) He either draws a Bill of Exchange on his French debtor or (2) he stipulates for payment by a Bill of Exchange on London—most frequently he follows the latter course. Similarly, when a Frenchman exports goods to Britain he either (3) draws a Bill of Exchange on his British debtor, or (4) leaves him to remit by a Bill of Exchange on Paris—most frequently he follows the first course. Hence, at any particular moment in the commercial relationship between Britain and France (the student will remember that France stands in this illustration for all foreign countries), there are (1) a number of Bills drawn by Britons on Frenchmen, but (3) a far larger number drawn by Frenchmen on Britons, in addition to which there are (2) a number of bills on London remitted by Frenchmen and (4) a number of remittances to be made by Britons to Frenchmen. The British drawers of bills on the French discount or sell their bills to Bill-brokers and Foreign Bankers in London, and the French drawers of bills on Britons discount or sell their bills to Bill-brokers or Bankers in France. The Britons who have to remit to the French buy the bills that have been discounted in London, and send them to their French creditors, and the French who have to remit to Britons buy the bills discounted by Frenchmen, and send them to their British creditors. Now buying and selling bills is just like buying and selling wheat, wool, etc. The price of the bills is conditioned by supply and demand. If the demand is greater than the supply the price rises, if less it falls. This, then, is the reason why the current rate of exchange is a variable rate.

Gold Points. It has been said that fcs. 124.21 in gold are equal to £1 because 124.21 gold francs are legally taken to contain as much gold as £1. But that quantity of francs can only be equal to £1 if the francs are in this country. Hence, in calculating how much a given number of francs will produce in England, the cost of transport and insurance must be taken into account. Now freight and insurance vary with the size of the shipment, and the shipper's ability to make a good contract. But we will take the cost to be 30 centimes per £. Then every £ placed in England will cost the French remitter of gold fcs. 124.21 (the mint par) + 0.30 = fcs. 124.51. Now if, owing to a rise in the price of cheques and Bills of Exchange on London, the Paris rate is quoted fcs. 124.51 = £1, it will make little difference to a Frenchman who has to remit £1 to London whether he remits gold at a cost of fcs. 124.51 = £1 or buys and remits a Bill of Exchange costing fcs. 124.51. But if the price of cheques and bills were to rise above 124.51 = £1 it would be cheaper for him to remit gold. Hence, on the assumption that gold francs are freely obtainable in Paris and can be remitted to London at a cost of 30 centimes per £, the price of a Bill of Exchange on London cannot ordinarily rise beyond 124.51, because no Frenchman would pay more for a bill than the cost to him of remitting gold. Suppose now that, owing to a lack of demand for, or a redundant supply of, cheques and bills on London, the cost fell below the mint par, and stood at fcs 123.91 = £1 (*i.e.* 30 centimes per £ [the cost of exporting bullion] lower than the mint par). In that case it would be a matter of indifference to the British debtor whether he paid his Paris creditor by bill at fcs. 123.91 = £1 or remitted gold at a cost of £1 = fcs. 124.21, less charges 30 centimes per £1 = fcs. 123.91. He would not, however, remit by bill at less than fcs. 123.91 = £1, if he could always send gold and realise fcs. 123.91 = £1. Hence, on the premises assumed, the price in London of a bill on Paris cannot ordinarily fall below 123.91. Thus fcs. 124.51 and fcs. 123.91 are termed *gold* or *specie points*, 124.51 being (from the British point of view) the gold *gaining* specie point, *i.e.* the point when a Frenchman begins to think of shipping gold to Britain, instead of buying and remitting bills, and 123.91 being (again from the British point of view) the gold *losing* specie point, *i.e.* the point when the British trader prefers to remit gold to France rather than buy and remit bills. As pointed out, the gold points between two gold standard countries cannot be definitely fixed, but approximately they are for the capitals mentioned, as set out below, and they mark, for those centres, the general limits of rise and fall in the price of Bills of Exchange:

		Short Exchange.			Short Exchange.		
Paris	Fcs.	123.91	against	London	124.51	for	London
Berlin	Mks.	20.34	„	„	20.50	„	„
New York		$4.85	„	„	4.88	„	„

It is necessary to say that the above paragraph gives the *theory* of the matter. To-day, *in practice*, the importation and exportation of gold as a result of movements in the current rate of exchange between two gold centres is much more complicated. In the first place, with the exceptions of London and New York, gold is not allowed freedom of movement. The Central Banks of France, the Argentine, and, to a lesser degree, Germany are reluctant to part with their gold, and place all sorts of impediments in the way of those who would purchase it for export. These banks will buy gold even at high rates, but their stocks of the metal lie sterilised in their vaults, and are not allowed to be used as a basis for the expansion of credit and currency, and so to finance increased production and commerce. To-day, the United States, France and the Argentine hold gold stocks far in excess of their economic requirements. Secondly, there is the question of the costs of transport. These are no longer stabilised at a fixed level as before the War. Interest charges, of course, enter into the cost of a gold shipment, and interest rates are constantly changing. Gold remittances to the Continent are now made by Air Liner. It is not therefore possible in all cases to quote exact figures and say that when the current rate of exchange between two particular gold centres touches those figures gold shipments will be made from one to the other. The gold points may be estimated with fair precision between say London and New York, but not between two gold centres where, in one of them, or in both, gold for export is unobtainable, or obtainable only under pressure, or where alternative means of remittance are offered, as *e.g.* under a *Gold Exchange Standard.*

It may be remarked that although the points at which gold would ordinarily be exported in settlement of debts cannot nowadays because of Governmental restrictions upon the movements of gold, be taken as limits to the prices of credit instruments for remittance, other limits are provided by commodities, or by Stock Exchange securities. A debtor who can ship goods, or transfer a certificate or other title to a block of shares in some corporation, or a holding of stock, to a creditor in a foreign country, will do so if in that way he can, with the consent of the creditor, settle his debt at a cheaper cost to himself than by buying and remitting these instruments. Export of goods is encouraged by adverse rates of exchange, and when the price of remittances has reached a point at which it becomes more profitable to export goods than to buy and remit Telegraphic Transfers, etc., then, with the consent of the creditor, goods will be sent in preference. This point is known as the " Export point." But the protective tariffs on imports imposed by many countries retard the approach of the export point.

The Exchange Market. The business of bill dealing in this country is centred in London. Twice a week foreign bankers and bill-brokers used to meet at the Royal Exchange, opposite the Bank of England, for the purpose of buying and selling bills, and at the close of business to issue a list termed a " Course of Exchange " giving the prices at which exchange business with the different financial centres of the world had been transacted. But now, owing to the great extension of communications by means of the telephone, telegraph and wireless, exchange dealers are in constant touch with one another, and the whole world has become practically one market. There is no longer any need to meet at a customary centre, and the market that used to be held at the Royal Exchange came to an end in January 1921. The modern Exchange Market is briefly explained at p. 391. Instead of the London Course of Exchange that used to appear in our daily newspapers, we find a list headed " Foreign Exchanges " compiled from information supplied by the London bankers. This list gives the prices at which remittances were made to foreign financial centres on the day prior to its publication. A table, headed " Rates of Exchange," taken from *The Economist* is given on p. 413.

The following points arising from the table on p. 413 call for notice:

(1) The quotation for most centres is given as so much of the foreign currency for the £ sterling (*foreign* for *home* currency), but for Bombay, Calcutta, Madras, Hong Kong, Shanghai, Singapore, Kobe, Manila, Rio de Janeiro, Buenos Aires, Montevideo, Siam and Lima the quotation is given in English money per foreign unit (*home* for *foreign* currency). This variation entails the consequence that when the quotation is foreign currency for sterling, as, *e.g.*, the Paris quotation, and the rate is higher than the par of exchange, then the rate is favourable to this country because more of the foreign currency is obtainable for the £ sterling than the par rate. Conversely, when the

quotation is lower than the par rate it is unfavourable to this country because less of the foreign currency is obtainable for the £ sterling than the par rate. When, however, the quotation is sterling per unit of the foreign currency, as, *e.g.*, the Siam quotation, then any quotation higher than the par rate is

RATES OF EXCHANGE.

London on		Usance	Par.	July 4, 1929.	June 26. 1930.	July 3, 1930.
New York ...	dollars to £1	Cable	4·86⅔	4·84$\frac{27}{32}$–·84$\frac{29}{32}$	4·86$\frac{1}{32}$–$\frac{1}{16}$	4·86$\frac{1}{32}$–·86⅛
Montreal	dollars to £1	Cable	4·86⅔	4·89–·89⅛	4·86$\frac{1}{16}$–$\frac{3}{16}$	4·86¾–·86⅞
Paris	francs to £1	T.T.	124·21	123·95–·97	123·76–·78	123·73–·76
Berlin	marks to £1	T.T.	20·43	20·35½–·36	20·39–·39¼	20·39½–·40
Amsterdam ..	florins to £1	T.T.	12·107	12·07¾–·08	12·09–·09¼	12·09¼–·09½
Brussels	belga to £1	T.T.	35·00	34·92½–·93	34·82–·82½	34·81¼–·81¾
Milan	lire to £1	T.T.	92·46	92·67–·69	92·75–·77	92·81–·84
Zurich	francs to £1	T.T.	25·22	25·21–·21⅛	25·07¼–·07¾	25·06¼–·06¾
Oslo	kroner to £1	T.T.	18·159	18·19¾–·20¼	18·14¾–·15¼	18·15½–·16
Stockholm ..	kroner to £1	T.T.	18·159	18·09–·09½	18·08¾–·09¼	18·09¾–·10¼
Copenhagen .	kroner to £1	T.T.	18·159	18·21–·21½	18·15¾–·16¼	18·15¾–·16¼
Madrid	pesetas to £1	T.T.	25·22½	33·63–·65	42·42–·47	42·27–·32
Lisbon	escudo to £1	T.T.	—	108$\frac{1}{16}$–108$\frac{5}{16}$	108¼–⅜	108⅛–⅜
Vienna	schllgs to £1	T.T.	34·58½	34·48–·51	34·41–·44	34·42–·45
Prague	krone to £1	T.T.	164¼	163⅝–163⅞	163⅝–⅞	163¾–164
Belgrade	dinars to £1	T.T.	25·22½	275¾–276¼	274½–275	274½–275
Budapest ...	pengo to £1	T.T.	27·82	27·80–·83	27·77–·80	27·77–·81
Bukarest	lei to £1	T.T.	813·6	816–818	817–819	817–819
Sofia	leva to £1	T.T.	25·22½	668–673	665–675	665–675
Athens	drachmæ to £1	T.T.	375	374¾–375¼	374¾–375¼	374¾–375¼
Constantinople	piastres to £1	T.T.	110	1008–1013	1025	1025
Moscow	roubles to £1	T.T.	9·46	†9·41½–·43⅜	†9·430–·445	†9·436–·455
Warsaw	zloty to £1	T.T.	43·38	43$\frac{3}{16}$–$\frac{7}{16}$	43¼–⅜	43¼–⅜
Helsingfors ..	F. marks to £1	T.T.	193·23	192¾–193	192¾–193¼	193–193¼
Kovno	lits to £1	T.T.	48·66	48½–49½	48¼–49	48¼–49
Reval	kroon to £1	T.T.	18·159	18·16½–·25½	18·22–·29	18·22–·29
Riga	lats to £1	T.T.	25·22½	25·15–·25	25·15–·25	25·15–·25
Alexandria...	piastres to £1	Sight	97½	97$\frac{15}{32}$–$\frac{17}{32}$	97$\frac{7}{16}$–$\frac{9}{16}$	97$\frac{7}{16}$–$\frac{9}{16}$
Buenos Aires.	pence to peso	T.T.	47·72*d.*	47$\frac{7}{32}$–47¼	40½–$\frac{9}{16}$	40$\frac{9}{16}$–$\frac{11}{16}$
Rio de Janeiro	pence to mils.	90 days	16	5$\frac{55}{64}$–⅞	5$\frac{15}{32}$–$\frac{17}{32}$	5$\frac{9}{32}$–$\frac{11}{32}$
Montevideo ..	pence to peso	T.T.	51	47½–48	43⅝–43⅞	42¼–¾
Valparaiso ..	pesos to £1	90 days	40	39·42	39·96	39·96
Lima........	Eng. to Per. £1	90 days	par	19½% prem.	13·12½	13·07½
Calcutta	pence to rupee	T.T.	18	1/5$\frac{13}{16}$–1/5$\frac{27}{32}$	1/5$\frac{13}{16}$–$\frac{27}{32}$	1/5$\frac{13}{16}$–⅞
Bombay		T.T.		1/5$\frac{13}{16}$–1/5$\frac{27}{32}$	1/5$\frac{13}{16}$–$\frac{27}{32}$	1/5$\frac{13}{16}$–⅞
Madras		T.T.		1/5$\frac{13}{16}$–1/5$\frac{27}{32}$	1/5$\frac{13}{16}$–$\frac{27}{32}$	1/5$\frac{13}{16}$–⅞
Hong Kong .	ster. to dollar	T.T.	—	1/11⅝–1/11⅞	1/3–1/3⅛	1/3–1/3⅛
Shanghai	ster. to tael	T.T.	—	2/4⅝–2/4¾	1/5¾–1/6¼	1/5⅞–1/6⅜
Singapore....	ster. to dollar	T.T.	2*s.* 4*d.*	2/3$\frac{13}{32}$–2/3$\frac{13}{16}$	2/3$\frac{11}{16}$–$\frac{13}{16}$	2/3$\frac{11}{16}$–$\frac{13}{16}$
Kobe	ster. to yen	T.T.	24·58*d.*	1/9$\frac{13}{16}$–1/9$\frac{27}{32}$	2/0$\frac{13}{32}$–$\frac{7}{16}$	2/0$\frac{13}{32}$–$\frac{7}{16}$
Manila	ster. to peso	T.T.	24·066*d.*	†2/0$\frac{5}{16}$*d.*	†2/0$\frac{5}{16}$	†2/0$\frac{5}{16}$
Mexico	pesos to £	T.T.	9·76	10·10–10·15	10·15–·35	10·15–·35
Siam	ster. to baht	T.T.	21·818*d.*	1/10⅝	1/10⅝	1/10⅝

† Rate for previous day.

unfavourable, and any quotation lower than the par rate is favourable, to this country, because in the first case more British currency, and in the second case less British currency, than the par rate must be given per unit of the foreign currency. From the table, we see that the rates for New York, Paris, Zurich, Amsterdam, Riga, Stockholm, Vienna and Brussels are all unfavourable to this country, while all the rest are favourable.

But observe that the expressions "favourable" and "unfavourable" are purely relative. A rate favourable to the London Money Market is unfavourable to the foreign centre, and therefore a rate favourable to this country is to the advantage of British merchants who have to remit to the foreign centre, but unfavourable to those who have to receive from that centre or draw and sell bills in that centre's currency.

The fact is that these terms "favourable" and "unfavourable" are historical rather than scientific terms. It was at one time a widely accepted theory—the Mercantile Theory—that a nation's economic well-being was to be measured by the quantity of the precious metals utilised as currency and accumulated as stocks. The more gold a nation possessed the richer it was, so that a state of the exchanges that tended to bring gold to this country was termed favourable, and one that involved the export of gold was termed unfavourable. But gold is a mere counter. The real wealth of a country lies in its natural resources, its acquired capital, and the skill and industry of its inhabitants. It is more soundly recognised that a nation requires just such a volume of currency as will efficiently do the work of exchange and provide a safe surplus for contingencies, but no more than this, and that the interests of the world as a whole are best served when the imports of each country (including imports of capital and services rendered to the country by foreign nations) are paid for by its exports, and there results stable rates of exchange, the fluctuations being confined within fairly narrow limits above or below the pars of exchange. For the most part, they were so confined in pre-war days, when the movements of gold were unrestricted, and the exchanges having passed the specie points, gold shipments were made in preference to buying the less remunerative bills of exchange.

There is, however, a sense in which these terms "favourable" and "unfavourable" are rightly used. We have seen that a strong gold reserve permits a low Bank Rate, and therefore a low market rate for loanable capital, and, inasmuch as industry is largely conducted upon borrowed capital, a low interest rate for money stimulates industry and trade. An adverse state of the exchanges, therefore, that leads to a drain of gold, and so to a weakened Reserve, with its corollary of a high Bank Rate, restricted and dearer credit facilities, and depressed industry and trade is rightly denominated "unfavourable," while a state of the exchanges that leads to an inflow of gold and a strong reserve is rightly termed " favourable."

(2) No par of exchange is given for Hong Kong and Shanghai, because the standard in these centres is silver, and, as already pointed out, there can be no par of exchange between a country whose standard is gold and one whose standard is silver. The rates quoted are based upon the market price of silver at the time of quoting plus the cost of moving it to the buyer's centre.

(3) The column headed July 4 (those for June 26 and July 3 are inserted purely for purposes of comparison) gives a double quotation. The double quotation signifies the range of telegraphic quotations within which business was transacted for the day in question. The way that rates are quoted by the exchange broker to his principal the bank dealer is explained on p. 392.

Various Kinds of Rates. Unless otherwise stated, the rates quoted on p. 413 are for Telegraphic Transfers, as to which *see* p. 390.

Sight Rates. These are for cheques or bills payable on demand or at sight. With this form or remittance allowance is made for interest on the time lost in transmission, consequently the rates are somewhat cheaper than for T.Ts. and dearer than the rates for bills that have time to run before reaching maturity.

Short Rates. These are quoted for bills that have a few days to run—anything up to ten—before they mature for payment; and because a greater allowance for interest must be made, and also, perhaps, for risk, the rates are cheaper than for sight or demand paper.

Long Rates. These are rates quoted for any bill that has more than ten days to run before payment is due, and are the cheapest rates. The exact rate depends upon (*a*) the precise time that must elapse before maturity and (*b*) the character of the bill. With regard to time, it is clear that a bill with 60 days to run will be quoted at a dearer rate than one with 90 days to run, because the allowance in respect of interest for 60 days is less than for 90 days. The basic long rate is the rate quoted for bills with three months to run before maturity, and the rate for bills with longer or shorter currencies is found by adjusting the three months' rate to fit the circumstances (*see* p. 423) The second price element, viz. that depending on the character of the bill, requires greater elaboration. The bills quoted in the list are bank bills, but there are also ordinary trade bills. In the old Course of Exchange referred to at p. 412, it was the custom to quote two prices, one for bank bills and one for trade bills, a dearer price for bank and a cheaper price for trade paper. Bank bills are those to which a first-class bank or Accepting House has become a party either as drawer or acceptor or endorser. Trade bills are those given in the course of trade, the parties to which are ordinary merchants. The signature of a bank or an Accepting House to a bill affords unimpeachable security for its payment, and consequently such institutions are able to charge for the use of their names, and the bill commands a superior price in the market. When it comes to discounting, the holder of a bank bill is able to discount it at the lower market rate, whereas the holder of a trade bill would be asked the higher bank rate. In the long run then there is little between the two prices, the extra initial cost of the bank bill being almost wholly retrieved by the greater proceeds of the bill when discounted. Nowadays, the settlement of international debts is left to banks and financial houses, who sell their own unimpeachable paper to their customers, and buying and remitting bills of exchange from brokers is a thing of the past, so this double quotation, one for bank and one for trade paper, no longer appears, although, of course, both classes of bills are still bought and sold, and both rates are still made by those who deal in bills.

Bill-Brokers: Discount Houses. A bill-broker is an intermediary between the banker and the public. In the same way that we have brokers intervening between importers of foreign produce and wholesale merchants, or between the jobber on the Stock Exchange and the private buyer of securities, so also in the matter of bills. The reason for this is that bill-dealing is a highly technical business to which the ordinary merchant or even the banker is unable to give the time necessary for its mastery and conduct. Long practice in handling bills and intimate knowledge of the financial standing of the drawers, acceptors and endorsers of bills, have made the bill-brokers adepts at distinguishing a bad from a good bill—*i.e.* a bill offering good security and representing a real exchange of values from a bill offering inferior security, or from a mere accommodation bill representing no exchange of values and offering little or no security. Bill-brokers work mainly on capital borrowed from the banks, and realise their profits by fractional differences between the prices at which they buy and those at which they sell bills; and also between the rate of interest they pay the bankers for loans which they raise on parcels of bills deposited as security, and the discount rate they charge the public for discounting bills. The banks generally have a great deal of money which they can, with perfect safety, loan for short periods. Loans to Bill-brokers form one of the modes in which this money is usefully employed The shortest period loan, and therefore the cheapest, is from the afternoon of one day to the morning of the next, and is termed *Overnight Money* Other loans are payable at call, and are known as *Call Money*. When a loan is made for a week it is called Weekly Money, and so on. The student has already seen that most bankers are willing to discount the ordinary mercantile-bills of their customers. Bills of this kind discounted by Clearing Bankers never come on the market again, but are held by the bankers till maturity. It is different with foreign bills. Take, *e.g.*, the case of cotton sales. A U.S. dealer sells a shipment of cotton to a Liverpool broker and draws against the shipment, attaching the shipping documents to the draft. The draft is not drawn on the Liverpool broker but on an English bank acquainted with the broker, and paid by him to accept the draft on his behalf. This draft with documents attached is readily sold by the U.S. dealer to a U.S. banker, and remitted by the latter to his London correspondent who, after obtaining acceptance, discounts the bill through a bill-broker. The latter, in turn, may find it necessary to deposit the bill (one of a parcel of such) with a Joint Stock Bank with whom he deals as cover for an advance, or to re-discount the bill; or he may, through a scarcity of loanable capital, be "forced into the Bank" (*i.e.* the Bank of England). If the discounting is done with the Bank the bills are held till maturity and not again put on the market. The main business of bill-brokers and discount houses is consequently in these and similar foreign bills obtained from the London agents of foreign banks, and the large firms of mercantile agents doing business abroad.

Sight Exchange—Long Exchange. It has been pointed out that the quotation for sight remittances is dearer than the quotation for bills that have some time to run before they mature for payment. The better the bill the dearer it is to buy. A sight bill is a better bill than one payable in three months' time, and a bank bill is better than a trade bill. Hence a sight bill is dearer than a 3 mos. bill, and a bank bill is dearer than a trade bill. The rate for sight remittances is termed the *Sight Exchange*, and that for bills with three or more months to run the *Long Exchange*. If a London merchant owes 6,200 francs to a Paris creditor, he could send him a cheque on Paris for that amount, or a bill, say, with three months to run before it became due for payment. Suppose that the sight exchange Paris on London was fcs. 124 = £1. A cheque for fcs. 6,200 would cost the London merchant £50, and as soon as the Paris creditor received the cheque the debt would be discharged. But a bill for fcs. 6,200 payable three months hence would not discharge the debt.

The Paris creditor on receipt of the 3 mos. bill would do one of two things. He would either discount the bill and credit the London merchant with the proceeds, or he would credit the full amount, hold the bill till maturity, and charge his London debtor with interest at the Paris bank rate for the three months. Clearly, the 3 mos. bill is not as valuable to the London debtor as the cheque, and the question thus arises: If the London debtor has to pay £50 for a cheque for fcs. 6,200 payable at once that will immediately extinguish his debt, what ought he to pay for a bill for fcs. 6,200 which will not discharge his indebtedness until the lapse of three months? Obviously, the answer is: The same price that he would pay for the cheque, less, as near as may be, what his Paris creditor would have to pay for discounting the bill. Suppose that the Paris market rate of discount was 5 % p.a. Then:

Sight rate per £	124.00 fcs.
Add 5 % for 3 mos...	1.55
Bill Stamp ½ per mille	.062
	125.612
3 mos. rate for bank bills, say,	125.62

Now, if the London debtor bought a 3 mos. bank bill on Paris for fcs. 6281.00 he would pay £50 for it, and this discounted in Paris at 5 % market discount rate would produce fcs. 6199.00. Thus:

		fcs. 6281.00
Less 5 % for 3 mos.	78.62	
Bill Stamp	3.14	
		81.76
		6199.24 fcs.

So that the 3 mos. bank bill @ fcs. 125.62 per £ would serve his purpose almost as well as the cheque at fcs. 124 per £.

A three months' trade bill would cost a little less than the 3 mos. bank bill, *i.e.* slightly more francs would be given per £, since, in addition to the allowance for discount and bill stamp, something would have to be allowed for risk, because the buyer of the bill having endorsed it would remain liable upon it until it had been paid. If that risk were estimated to be covered by an insurance rate of 1 per mille, then the rate for the 3 mos. trade bill might very well be round about fcs. 125.68 per £1. The student will note that class for class the proceeds of a discounted long bill do not greatly vary from those of a cheque.

Long Rate then is founded upon the short rate. The short rate is determined by the relative intensity of demand and supply. When in any foreign centre the demand for bills on London becomes stronger than the supply, the rate of exchange quoted in that centre is more favourable to London than it is when the supply overtakes the demand. In the first case, buyers are competing to buy and more of the foreign currency per £ is demanded and given; in the second case dealers are pressing to sell and less of the foreign currency per £ is offered and accepted. The long rate also depends upon the relative intensity of supply and demand, but, in addition, the state of the money market in the foreign centre must be taken into account, and the rate rises and falls with the rise and fall of the interest rate for money ruling in the foreign centre.

Maxims for Dealing in Bills.

(*a*) *When the quotation is foreign currency for sterling* (*home currency*), e.g. *the Paris quotation.*

High rates are for us; low rates against us.
Buy high; sell low.
The better the bill, the lower (*i.e.* the dearer) the rate.

(*b*) *When the quotation is in sterling* (*home currency*) *for foreign currency*, e.g. *the Buenos Aires Rate.*

Low rates are for us; high rates against us.
Buy low; sell high.
The better the bill, the higher (*i.e.* the dearer) the rate.

The maxims under (*a*) apply for *every country* when the exchange rate is quoted in the same way, viz. so much of the foreign for so much of the home currency. So also do the maxims under (*b*) when the rate is quoted in the same way, viz. so much of the home for so much of the foreign currency. Thus in the case of Paris our (*a*) is that centre's (*b*), and in the case of Buenos Aires our (*b*) is that centre's (*a*).

Checks upon Exchange Movements. It has been said that if the rate of exchange between two countries—say, *e.g.*, France and Britain—rise or fall to the gold point, specie payments become imminent. There are, however, checks upon both rise and fall, and a progressive upward or downward movement in the exchange rate proceeds in clearly marked stages. In the first place there are, as we have seen, two sorts of bills, viz. *Mercantile Bills*—*i.e.* bills created by one merchant on another—and *Bankers' Bills*—*i.e.* bills drawn by one bank upon another bank against cover (or balances) kept by the drawing bank at the accepting bank. When the supply of mercantile bills on London shows signs of failing, and the exchange rises, recourse is had by French traders who have to remit to Britain to these bankers' bills, which, because they offer better security, command a better price, and are not therefore called into full play while the cheaper mercantile bills hold out. The supply of bankers' bills then retards the rise of the exchange. But if the supply of these bankers' bills begin to fail and the exchange still to rise, then Paris bankers adopt the expedient of drawing upon other countries, whose exchange stands at a lower level, against cover, and instructing the accepting bankers to remit the proceeds on their account to London. This imposes a further check on the rise, and explains the phenomenon of the continental exchanges rising together. Even when this method of settling international indebtedness becomes too costly, gold shipments can still be avoided by buying and remitting first-class securities quoted on London and continental stock exchanges, or by shipping merchandise. It is only in the last resort that gold shipments are made, and then gold is used because it is the cheapest medium in which to discharge debts.

In the reverse case of a progressive fall in the exchange, owing to a redundant supply of bills on London, a check is imposed by foreign bankers, speculating in London bills, *i.e.* buying them up in the hope of a subsequent rise in price, while, should the fall continue, they sell bills on countries where the exchange is quoted high, and use their London bills as cover for their drafts, the result being that the other Continental Exchanges also fall, till, perhaps, the exchanges as a whole may fall so low that the London bills are remitted to London, and the proceeds withdrawn in gold.

Investment Demand Illustrated. London bankers do not as a rule invest in foreign bills, but buying London and other foreign bills for investment is a regular feature of foreign bankers' business. Suppose, *e.g.*, that the sight exchange Paris on London stood at fcs. 123.75 = £1, and that the market rate of discount in Paris and London was 4 per cent. Then three months' rate Paris on London would be fcs. 123.75 less three months @ 4 %

= 122.51. If the market rate in London increased from 4 % to 5 % the three months' rate Paris on London would fall from 122.51 to 122.21 and a Paris banker buying a three months' bill on London for £100 @ 122.21 would give fcs. 12,221 for it. The difference of 1 per cent. between the Paris and London discount rates would occasion a demand for London bills for investment, and a consequent diminished supply of bills. Hence the sight rate Paris on London might very well rise several points from 123.75, say, to 124.00. If it stood at the latter figure when the £100 bill on London had reached maturity the Paris banker holding it would sell @ 124 and get fcs. 12.400 for it, *i.e.* fcs. 179 more than he gave for it.

Great Britain's International Trade. It has been seen that the price of Cheques, Bills, etc., is conditioned by supply and demand, that is to say, if, selecting France as an example, Great Britain has sold more goods to France than France to Great Britain, then the price of Bills on London will rise, because the supply will be less than that required by France for remitting her indebtedness to Great Britain. Provisionally, it may be stated thus, that the exchange between two countries is determined by the balance of trade between the two countries. But a perusal of the Board of Trade returns for 1928 (cf. with pp. 236–7) will show that whereas we imported merchandise to the value of £1,196,900,000, we exported merchandise only to the value of £843,700,000, showing an excess of Imports of merchandise over Exports of £353,200,000. If the balance of trade alone affected the rate of exchange between Great Britain and foreign countries, then, because Great Britain buys more merchandise than she sells, it would appear that the exchanges should be generally adverse to Great Britain. But this is far from being the case. The explanation is that the Board of Trade Returns leave out of account factors which in any consideration of the theory of the foreign exchanges must be included. It is estimated that, in 1928, the interest received in this country on British investments in the Empire and foreign countries amounted to £285,000,000; the amount received by our shipowners for carrying services was £130,000,000; the commissions earned and premiums received by our bankers and brokers and insurance companies amounted to £65,000,000, to which must be added for miscellaneous services rendered by our people, after making an appropriate allowance for similar miscellaneous services rendered to us by foreign nations, the sum of £15,000,000. All these items are excluded from the Board of Trade's enumeration under the heading "Merchandise." Hence to get the true state of affairs we must supplement the Board's returns as follows:

NATIONAL TRADE BALANCE, 1928

	Imports, Millions of £.	Exports, Millions of £.
Bullion, Balance	6·3	—
Merchandise	1196·9	843·7
*Income from Foreign Investments, net	—	285·0
*Income from Shipping Services, net	—	130·0
*Income from Banking and other Services, net	—	65·0
*Miscellaneous Receipts, net	—	15·0
*Excess of Government Receipts from Overseas	—	13·0
Net Balance in favour of this Country	148·5	—
	£1351·7	£1351·7

When the important amounts mentioned above are added to the exports of merchandise, the excess of imports is at once wiped out and a substantial balance remains on the export side of the account. Great Britain is one of the great creditor countries of the world. She buys goods from every country, which she pays for either by exports or services rendered, or which she takes in lieu of interest, and her vast trade has made her the clearing house of the world. So that countries which have no exchange between them may transact business together, settling their accounts by bills on London, where credits are specially kept by the buyers of goods for the purpose of meeting the bills at maturity. It is not, therefore, correct to say that the rate of exchange is determined by the balance of trade, and to say no more. We ought rather to say that the rate of exchange is determined by the balance of indebtedness between two countries, and by indebtedness must be understood, not indebtedness in general, but the balance of indebtedness between two countries arising for settlement at any particular moment of time, and for any particular cause.

We must also include in this word "indebtedness" those large transfers of funds from the one centre to another made by

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* The items marked thus in the table are termed "Invisible Exports," but they are not on that account the less real. The income of a tradesman consisting of the difference between the price at which he buys and that at which he sells is not more real than the income of a consulting engineer whose function is purely advisory.

bankers and others, not by way of trade, but in order to take advantage of a high interest rate in a particular centre, and for other reasons.

Arbitrage. Where, *e.g.*, a bill on Paris is bought in London, remitted direct to Paris, and sold there, or *vice versa*, a certain rate of exchange is produced. This is called a *direct exchange*, and the rate a *direct rate*. But owing to variations in the rates of exchange, as quoted in different commercial centres, it is frequently possible to obtain a better rate by buying a bill, say on Berlin, and selling it in Paris, than by remitting direct from London by a bill on Paris. This is called an *indirect exchange*, and, where an indirect exchange is effected, the resultant rate produced between Paris and London is termed *arbitrated exchange.* It is *simple* arbitration, or a *simple* arbitrated rate, when, as in the case supposed, only one intermediate capital is employed and *compound* arbitration, or a *compound* arbitrated rate, when two or more capitals are employed. In the case of a rate quoted in sterling any arbitrated rate is better than a direct rate if it is less than the direct rate, i.e. *provided remittances have to be made*, but if bills have to be drawn and sold on, or remittances received from, the foreign place, the exact reverse. When the rate is quoted in foreign currency any arbitrated rate is better for remittances than a direct rate if it is greater than the direct rate, but for receipts the exact reverse.

Arbitrage transactions are confined to bankers and brokers with agents in the various financial centres, for these alone, acting in combination, have the intimate knowledge and possess the necessary facilities for taking advantage of the quickly changing rates of exchange. Always a business requiring quick initiative and great skill for its successful conduct, it is somewhat hazardous especially in complicated and circuitous transactions. Arbitrage transactions are based upon the rates for Telegraphic Transfers and conducted by long-distance telephone. But three months' bills are also used in indirect operations, and the factors to be taken into account involve interest, brokerage, and other charges for bill stamps and postage.

Tel Quel Rates. Reference has been made to the long rate quoted for bills at three months, and the manner of computing the long rate from the short rate has been explained. But in actual practice the majority of bills offered for sale have not exactly three months to run before they reach maturity, because some part of the period for which they are drawn has expired. Further, bills are drawn for far longer periods than three months.

To quote separate prices for all the varying periods that may have to elapse before bills become due for payment is impracticable, and so adjustments are made to allow for the increased or decreased charge for interest and other items of cost as compared with that allowed for in the three months' rate. This may be done in two ways: (*a*) the bill may be charged for at the three months' rate, and the purchase money be increased or decreased, *i.e.* the *principal* may be adjusted, or (*b*) the *rate of exchange* itself at which the bill is sold may be adjusted. In the second case the bill is sold at a *tel quel* rate, that is a rate adjusted to fit the particular length of time the bill has to run before payment. In fixing *tel quel* rates it must be remembered that the shorter the time the bill has to run the better it is, so that a six months' bill would not only be cheaper but relatively cheaper to buy than a three months' bill.

Gold Exchange Standard. The currency unit of India is the silver rupee, and is legal tender for any amount. This circulated side by side with Government notes. The English sovereign, and the mohur or gold rupee, which is the exact equivalent of the sovereign, were also legal tender. In 1899 silver rupees were made exchangeable with gold at the rate of rs. 15 = £1, but, in 1919, owing to an enormous but what proved to be temporary rise in the price of silver, the ratio was altered to rs. 10 = £1. The problem was to maintain this artificial parity. The method adopted is known as the *Gold Exchange Standard*, and it operated as follows. The Government of India built up both in India and in London large gold reserves. When the demand for bills on India was strong enough to cause the value of the rupee to rise above the fixed parity, the Secretary of State for India sold Council Bills and Telegraphic Transfers by tender, for sterling in London. These were drawn upon the Indian Treasuries in Calcutta, Bombay and Madras, and were payable there in rupees. This London selling increased the London cash reserve, and the increase was used to discharge India's indebtedness to countries other than Great Britain. It also increased the rupee circulation in India, and so brought down the value of the rupee to the fixed parity. In the reverse case, when the demand for bills on India was so weak that the exchange fell below the fixed parity, the Government of India sold bills drawn against its London reserve, known as Reverse Council Bills. These were payable in rupees in India, and in sterling in London. This selling skimmed off the superfluous rupee currency, increased the Indian reserve, and so brought up the exchange to the fixed parity. Normally the balance of trade is in favour of India, *i.e.* she exports more than she imports, and she imports great quantities of the precious metals which are utilised in the arts. Further, large payments have to be made by India to London for pensions, payable to retired officials, for interest on loans, and by way of contributions to the Imperial revenue. This method of currency control worked fairly well so long as India was a creditor country. But inasmuch as it made no provision for the sale of gold, the system failed when it became necessary for India to remit gold to redress an adverse balance of trade. The Indian currency system has now been reformed, and the rupee has been made convertible into gold at the rate of 13·33 rupees = £1, *i.e.* 1s. 6*d.* per rupee. Thus India is now on a gold bullion standard. It is proposed to establish a Central Bank in India, and to adopt a new gold coinage, the sovereign formerly legal tender in India now being demonetised.

Forward Exchange. The sudden and violent fluctuations in the exchanges characteristic of the War and Post-War periods led to an increased application by bankers of the principle of "future dealing" in their exchange operations. A Paris banker who, *e.g.*, sells at, say, fcs. 123.90 per £1, a draft on London for £5000 payable in three months' time would find himself out of pocket if, in order to put his London agent in funds at the due date, he had then to buy at fcs. 124.21 per £1. To obviate this he buys at the same time as he sells, and arranges the rate for the sale on the basis of his buying rate, thus securing his profit immediately. Such a transaction as this is known as dealing in *Spot Exchange.* But the French banker has now £5000 in his London agent's books that will not be wanted for three months, and he may not wish to lock up his funds in sterling, especially if he can obtain higher interest by the use of the francs paid for the sterling. If that is so, he goes into the Forward Exchange Market and does a third combined deal. He sells the £5000 spot thus releasing his francs, and buys back the sterling for payment and delivery three months hence. In this way he completely covers his position. This third combined deal is always done at a difference, the difference being in the buyer's favour if the particular currency stands at a discount, and against him if it stands at a premium. *Option dealing* is another phase of forward exchange dealing. For example, a Paris banker may secure an option at a given rate for a limited period of time over say, £50,000 payable in London. Thus secured, he can arrange his sales of sterling exchange within the limits of the option without fear of loss. This system of option dealing has been extended for the benefit of the trader. With a steadily worsening exchange from the British point of view, as was the New York–London Exchange towards the end of the war, an English importer contracting to buy American produce ran the risk of finding when the time for payment came that the rate had so moved against this country as greatly to diminish his anticipated profit. By paying to his banker a little extra in the way of commission, the English importer is able to secure a call on New York Exchange about the due date for payment at the same rate as that on which he fixes his contract with the American exporter, and so safeguard his profit. Nowadays, dealings in Forward Exchange form a very important part of the Exchange Market, and the dealings are for large amounts. When transacting such business for customers, banks usually require cover to ensure that bargains will be carried out.

Formulæ for Exchange Calculations. To find the equivalent in sterling at a given rate of exchange of a sum stated in foreign currency, *e.g.* the sterling equivalent of fcs. 20,586.47 @ fcs. 124 = £1. Sterling amount = $\frac{20,586.47}{124}$.

To find the equivalent in foreign currency at a given rate of exchange of a sum expressed in sterling, *e.g.* the foreign equivalent of £586 10*s.* 9*d.* @ frs. 123.75 = £1. The equivalent is £586 10*s.* 9*d.* × 123.75.

To find the par value of a sum expressed in the currency of one country in the currency of another, *e.g.* the par value of 1896 Dutch florins in francs. This is done by chain rule, examples of which have been given at pp. 407–8. In chain rule the first term states the question in the form of an equation, and the first term of each succeeding equation is the same denomination as the last term of the preceding equation, thus establishing a link with it. The last term of the final equation is the same denomination as that required by the question. When the equations are duly set out the product of the right-hand amounts divided by the product of the left-hand amounts gives the answer. Follow this description in the light of the examples given.

Multiplication and Division. These processes should be effected by the short methods explained below. To do this it is necessary to express shillings and pence as decimal parts of a £ and *vice versa.*

Decimalisation. **The following method is recommended:**

Express £696 19*s.* 2¼*d.* in decimal form.

(1) Whole number = £696

(2) The decimal in the first place is the number of complete florins in the shillings.

Note. 2*s.* = £$\frac{1}{10}$ = ·1 = ·9

(3) The decimals in the second and third places are found by reducing the remaining shillings and pence to farthings and adding 1 for each complete 24 farthings.

1*s* 2¼*d.* = 57 farthings + 2 = 59 = ·059

(4) The remaining decimals are obtained by dividing the pence and farthings in excess of sixpence, or all the pence and farthings if less than sixpence, by six.

2¼*d.* = 2·25*d.* ÷ 6 = ·375 = ·000375

Ans. £696·959375

As a rule decimalisation correct to three places is sufficient for ordinary purposes, but when large amounts are concerned and multiplication is required, the completer decimal should be used. The method is so easy that a little practice will enable the student to write down the decimal at sight.

Re-decimalisation.

Express £114·86759 in £ *s. d.*

Deal with the decimal to the nearest third place only = ·868.

Note. ·001 = ¼*d.*; ·004 = 1*d.*; ·025 = 6*d.*; ·05 = 1*s.*; ·075 = 1*s.* 6*d.*; ·1 = 2*s.*

·8 = 16*s.*

·075 = 1*s.* 6*d.* = 17*s.* 6*d.*

·875 exceeds ·868 by ·007

∴ Deduct ·007 = 1¾*d.*

17*s.* 4¼*d.*

Ans. = £114 17*s.* 4¼*d.*

Here also the rule is so simple that the answer can be written down without intermediate figuring.

Contracted Multiplication.

Multiply 73·2589 by 4·3652 correct to three decimal places.

MONETARY TABLE.

Country	Monetary Units.	Mint Par of Exchange.			
		£	s.	d.	Currency.
Great Britain	Sovereign (= 20 shillings = 240 pence)		—		—
British Empire—					
Canada	Dollar (= 100 cents)	0	4	1·32	4·867
India	Rupee (= 16 annas = 64 pice)	0	1	6 (fixed rating)	—
Ceylon	Rupee (= 100 cents)				
Hong Kong and Labuan	Mexican dollar (= 100 cents)		—		—
Straits Settlements	S.S. dollar (= 100 cents)	0	2	4 (fixed rating)	—
Europe—					
Latin Standard—					
Belgium	Belga (= 5 francs)	0	0	6·658	35
Bulgaria	Leva (= 100 stotinki)	0	0	0⅓	673–659
France	Franc (= 100 centimes)	0	0	2	124·2134
Greece	Drachma (= 100 lepta)	0	0	0·64	375
Italy	Lira (= 100 centesimi)	0	0	2·6	92·46
Rumania	Leu (= 100 bani)	0	0	0·3	813·6
Finland	Markhaa (= 100 pennii	0	0	1¼	193·23
Yugoslavia	Dinar (= 100 paras)	0	0	9·513	25·2215
Spain	Peseta (= 100 centimos)				
Switzerland	Franc (= 100 centimes)				
Scandinavian Union—					
Denmark	Krone (= 100 öre)	0	1	1½	18·1595
Norway	Krone (= 100 öre)				
Sweden	Krona (= 100 öre)				
Austria	Schilling (= 100 groschen)	0	0	7	34·58½
Hungary	Pengo (= 100 filler)	0	0	8·62	27·825
Czechoslovakia	Krone (= 100 heller)	0	0	1½	164·25½
Germany	Reichsmark (= 100 pfennige)	0	0	11·748	20·43
Poland	Zloty (= 100 grosz)	0	0	5·5	43·38
Latvia	1 Lat (= 100 graschi)	0	0	9·513	25·2215
Esthonia	Kroon (= 100 sents)	0	1	1½	18·1595
Holland	Gulden or florin (= 100 cents or 20 stivers)	0	1	7·824	12·107
Portugal	Escudo (gold) (= 100 centavos)	0	4	5¼	4·50½
	Escudo (paper)		—		—
Russia	Tchervonetz (= 10 roubles)		—		—
Turkey	T. £1 (= 100 piastes)		—		—
America—					
United States	Dollar (= 100 cents)	0	4	1·32	4·867
Argentine	Peso (paper) (= 100 centavos)	0	3	11½	5·05
Brazil	Milreis (paper) (= 1000 reis)		—		—
Chile	Peso (= 100 centavos)	0	0	6	40
Mexico	Dollar (= 100 centavos)	0	2	0½	9·76
Peru	Libra (= 10 soles = 100 dineros = 1000 centavos)	1	0	0	1
Uruguay	Peso (= 100 centesimos)	0	4	3	4·71
	Silver peso				
Venezuela	Bolivar (= 100 centavos)	0	0	9½	25·25
Asia—					
China	Tael (= 1000–1800 cash or li (variable unit))		—		—
Indo-China	Dollar (= 100 cents)		—		—
Japan	Yen (= 100 sen)	0	2	0½	9·80
Korea	Won (= 100 chon)	0	2	0½	9·80
Africa—					
Algeria	Franc (= 100 centimes)	0	0	2	124·2134
Egypt	Egypt. Pound (= 100 piastres)	1	0	6¼	97½ pia.
Madagascar	Franc (= 100 centimes)	0	0	2	124·2134
Tunis					
Morocco					
Tripoli	Lira (= 100 centesimi)	0	0	2·6	92·46

(*a*) Set down as for ordinary multiplication.

(*b*) Mark off the figures past the third decimal place by means of a line, but for accuracy in working retain two figures beyond the line.

(*c*) Begin to multiply by the first significant figure on the left of the multiplier.

Multiply the 9 to the right of the multiplicand by 4.

This is really ·0009 × 4 = ·0036, and the last digit (6) will go in the fourth decimal place. Then continue as an ordinary multiplication.

$$\begin{array}{r|l} 73{\cdot}258 & 9 \\ 4{\cdot}365 & 2 \\ \hline 293{\cdot}035 & 6 \\ 21{\cdot}977 & 67 \\ 4{\cdot}395 & 53 \\ {\cdot}366 & 29 \\ {\cdot}014 & 65 \\ \hline 319{\cdot}789 & 74 \\ \hline \end{array}$$

Ans. = 319·700

(*d*) Multiply by the next figure to the right in the multiplier. We have ·0009 × ·3 = ·00027, and the 7 will go in the fifth decimal place.

(*e*) Continuing as above, we have ·0009 × ·06 = ·000054. Reject the 4 and carry 5.

Proceeding (·008 × ·06) + ·00005 = ·00053. Set down 3, carry 5, and continue.

(*f*) In this step reject the 9 entirely and begin ·008 × ·005 = ·000040. Reject 0, carry 4, and proceed.

(*g*) Begin ·05 × ·0002 = ·000010. Reject 0, carry 1, and proceed.

Note. In using the Contracted Method, there is no necessity to begin multiplying from the left. If students have learnt to multiply from the right, *it will probably be better* to continue to do so, and thus save the time and trouble of learning an alternative method.

Multiplying from the right, the example would appear as follows:

$$\begin{array}{r|l} 73{\cdot}258 & 9 \\ 4{\cdot}365 & 2 \\ \hline {\cdot}014 & 65 \\ {\cdot}366 & 29 \\ 4{\cdot}395 & 53 \\ 21{\cdot}977 & 67 \\ 293{\cdot}035 & 6 \\ \hline 319{\cdot}789 & 74 \\ \hline \end{array}$$

Contracted Division.

Divide 775·728965 by ·056394782 correct to 3 decimal places. This is the same as 775,728,965,000 ÷ 56,394,782.

Proceed as in ordinary division until the number of figures in the divisor exceeds by one the number of figures still required in the quotient.

$$\begin{array}{r|l}
\underline{1} & \underline{3755\cdot332} \\
5\cancel{6}\cancel{3}\cancel{9}\cancel{4}\cancel{7}\cancel{8}\cancel{2})77572896 & 5000 \\
\underline{56394782} & \\
21178114 & \\
\underline{16918435} & \\
4259679 & \\
\underline{3947635} & \\
312044 & \\
\underline{281974} & \\
30070 & \\
\underline{28197} & \\
1873 & \\
\underline{1692} & \\
181 & \\
\underline{169} & \\
12 & \\
\underline{11} & \\
\underline{1} &
\end{array}$$

Ans. = 13,755·332.

At the outset it is seen by inspection that there will be 8 figures in the quotient, and as there are 8 figures in the divisor it is necessary to retain them all.

After the first partial division 7 figures are still required in the quotient, and as there are 8 figures in the divisor contracting may be begun. In obtaining the partial products multiply mentally the last figure crossed off to get the carrying figure.

The next figure in the quotient will be 3. Multiply the 2 crossed off by 3. The product is 6. Since 6 is nearer to 10 than to 0 carry 1, and continue as in the example, crossing off one figure in the divisor at each stage.

It will be seen that the remainder is not the correct remainder.

A Table, giving the monetary units of the chief countries of the world, together with the Mint pars, etc., is appended (see pp. 428–9).

NOTE: The student should note that the foregoing chapter is based upon the facts as they existed prior to Great Britain's departure from the gold standard in 1931. The monetary policy of this country at the present time is indicated on page 360, and the student must make due allowance for the great change that occurred in 1931. The price of a sterling bill (not now a bill payable in the last resort in gold, but in inconvertible Bank of England notes) in the exchange markets of the world, now depends upon its purchasing power in this country; and this internal purchasing power depends upon three factors, viz. the balancing of the national budget, the avoidance of currency inflation, and the maintenance of a sound proportion between our exports (including services) and our imports (including services). The payment for imports may still be made in gold, but in gold bought in the bullion market, at the high market rate now prevailing for gold, and shipped as merchandise by individual bankers and large merchants.

The external value of the British currency to-day is really based upon two considerations. The first is a fact, viz., that in conjunction with those foreign countries which have linked their currencies, not irrevocably, but loosely with sterling, sterling is the currency for round about 50 % of the world's trade; the second is the belief of the world generally, whether in the sterling group, or the gold group proper, or of those countries whose currencies are precariously linked with the gold group, that this country means to, and in fact does, act prudently in currency matters, not alone for its own well-being, but for the well-being of the world. One of the most urgent needs of the world to-day is for a stable international means of payment.

TEST PAPER XXVIII

1. What is the difference between Bank Bills and Trade Bills and the result, as regards discount, of buying one or the other?

2. The price of silver is quoted 1*s.* 6*d.* per oz. Find the par with the silver rupee.

3. Explain the following: Rebate on bills; Noting a bill; Finance, and India Council Bills; Mint Par of Exchange.

4. Name the principal Exchange Centres.

5. Why do the European Exchanges generally rise and fall together?

6. Give the approximate pre-war gold points of the principal Gold Exchanges. How are the gold points determined?

7. Find the Mint Par of Exchange between England and Germany.

8. The following announcement appears in a daily paper, "Out of 40 lakhs of rupees offered to-day by the India Council only about 2 lakhs were allotted in bills @ 1*s.* $3\frac{29}{32}$*d.*" What does this mean?

9. What facts would a merchant in England have to take into account when he wanted to place money in a foreign city, and when he wanted to have it sent him from abroad?

10. State briefly how export trade is financed.

11. Comment on the following, "Low rates are against us and high rates are for us."

12. Give the names of the principal countries the quotation for which is in sterling and not in foreign currency.

13. Show how it is possible to make a profit on an Exchange transaction if sight rate on London in Paris is 124.25 and cheque rate on Paris in London is 124.20.

14. Why is the Rate of Exchange on London so eagerly watched abroad?

15. How would you find the Mint Par of Exchange between London and New York?

16. On what is the allowance for interest based in the Long Exchange in the case of bank bills?

17. What do you understand by arbitrage in Foreign Exchange dealings?

18. Explain, with examples, what is meant by the Mint Par of Exchange.

19. Explain the following: Lisbon, 9–10; Buenos Aires T.T., 33–34; Paris 3 mos., 124·20; Amsterdam, 11.28–11.32.

20. A merchant in Paris has exported goods to London to the value of fcs. 10,000. What difference does it make to him whether the exchange on London is 124.20 or 124·25?

21. A country has a depreciated paper currency. Explain briefly what effect it has on that country's exchange rates with other countries.

22. What are known as "gold points" in Foreign Exchanges? Give examples.

23. In the Long Exchange what are the principal facts to be taken into account when purchasing a foreign bill?

24. If sight rate in London on Paris is 124.25 and bank rate in Paris 3 %, what would be the rate for a three months' bank bill on Paris?

25. Name the principal silver exchanges and state the effect on the Indian Exchange of the sale of India Council drafts.

26. "London is the banking clearing house of the world." Explain the meaning of this and its effect on the exchange on London, with examples.

CHAPTER XX

COMPANIES; SHARES, STOCK AND DEBENTURES

COMPANIES

Incorporated Companies. For practical purposes it may be said that there are now in existence two forms of incorporated companies, namely, statutory companies and limited companies. In both cases the company has a separate legal existence distinct from the members who compose it. The company can hold property and contract debts which are in no sense the debts of the members.

Statutory companies are incorporated by a special Act of Parliament which defines the objects and powers of the company. This usually adopts the provisions of the Companies Clauses Consolidation Act, 1845, which contains general provisions as to the rights and obligations of shareholders; and in the case of railway companies the Railways Clauses Act, 1845, which deals entirely with railway companies.

The statutory company is commonly found in the case of railway companies, gas, water, and electric lighting companies, all of which require special powers enabling them to acquire land compulsorily, and to interfere with the rights of private owners. The liability of shareholders in these companies as in the case of companies under the Companies Act, 1929, are limited by the amount of their shares.

Limited Companies. These are incorporated by registration under the Companies Act, 1929. The objects of the company in this case are defined by the Memorandum of Association, and the rights and duties by the Articles of Association, so that the Memorandum and Articles correspond to the private Act of Parliament which is the charter of the statutory company. (*a*) A company may be limited by shares, in which case the liability of the members is limited by the amount, if any, unpaid on the shares held. (*b*) It may be limited by guarantee, that is to say, by the amount which the members agree to contribute in the event of a winding up. Or (*c*) It may be unlimited, in which case the members are liable to the full extent as in a partnership This form of company is very rare.

Directors. The company is managed by a board of directors who are in the position of agents and trustees for the company.

If not named in the Articles they are appointed by the subscribers to the Memorandum. Subsequent appointments are made by the company in general meeting By S. 140 of the Companies Act, 1929, it is enacted *inter alia* that a person shall not be named as a director or a proposed director of a company in any prospectus issued by or on behalf of a company, or in any statement in lieu of prospectus filed by or on behalf of a company, unless before the registration of the articles or the publication of the prospectus, or the filing of the statement in lieu of prospectus, as the case may be, he has by himself or by his agent authorised in writing:—

(1) Signed and filed with the registrar of companies a consent in writing to act as such director; and

(2) Either signed the memorandum for a number of shares not less than his qualification (if any) or signed and filed with the registrar a contract in writing to take from the company and pay for his qualification shares (if any).

This section does not apply to a private company nor to a prospectus issued by or on behalf of a company after the expiration of one year from the date at which the company is entitled to commence business.

In recent years it has been regarded as essential that the public, as well as the shareholders, should know the identity of the persons by whom the company is managed. Every company must keep a register of members in which the names, addresses, and nationality of the directors must be entered, and copies sent to the Registrar. The remuneration of the directors must be stated in the prospectus of the company and disclosed in the balance sheet. Directors cannot enter into contracts with the company unless the Articles so provide, and the usual provision is that a director may do so if he disclose his interest in the contract to the Board, but that he may not vote upon any such contract. A director is liable to shareholders for untrue statements in the prospectus, and for negligence, but the Court may excuse him if he has acted honestly and reasonably, and ought fairly to be excused.

Limited Liability. The main feature which has promoted the growth of Companies is that of limited liability. If the memorandum of association states that " the liability of the members is limited," no member of the company can be called upon to contribute any sum beyond the face value of the actual shares he agrees to take, *i.e.* when he has paid the full nominal value of those shares he is relieved of all further liability, and should the company fail, no matter how severely, he cannot lose more than he originally contributed or agreed to contribute. In a Partnership, on the other hand, the liability of all the members is unlimited, and each partner is responsible for the whole of the partnership debts. A second feature is that the ratio of profits to capital in the case of Limited Companies wisely managed is fully equal to that of private trading concerns. Hence a shareholder in a limited company may secure a far larger return on his capital than ordinary interest rate, without the personal exertion necessary in private trading. A third feature is the ease with which the rights and liabilities acquired by a shareholder in a Company may be transferred. Finally, an investor to whom security rather than a high yield is an object, can obtain this by means of debentures which have no counterpart in partnership or other forms of trading.

Companies Limited by Guarantee. The members of a company may, instead of being limited by shares, be limited by guarantee. In the case of companies limited by guarantee each member undertakes to contribute a certain sum to the assets of the company in case it is wound up during his membership or within a year afterwards, and is liable for no greater amount. A company limited by guarantee may, or may not, also have a capital divided into shares. Companies limited by guarantee are generally not trading companies, and they form a very small proportion of registered companies.

Limitations of Private Partnerships. Under SS. 357 and 358 of the Companies Act, 1929, no private partnership of more than ten persons can be formed to carry on banking, and no partnership of more than twenty persons to carry on any other business, having for its object the making of profit, unless it be registered as a company. Companies working under Letters Patent or a special Act of Parliament, and mining companies within the Stannaries (Cornish tin mines), are not, however, subject to this rule.

Who may form a Company. Any seven persons may combine to form and register a company under the Companies Act, and in the case of a special class of limited companies, styled private companies, two persons are sufficient.

Private Companies. Any two persons can form a private company as distinct from seven in a public company.

A Private Company is one which by its Articles:

(*a*) Restricts the right to transfer its shares.

(*b*) Limits the number of its members (exclusive of persons who are in the employment of the company, or persons who were members when in the employment of the company, and continued to be so after leaving the company's employment) to fifty; and

(*c*) Prohibits any invitation to the public to subscribe for its shares and debentures.

If a company fails to comply with those provisions it ceases to be a private company, and so loses the privilege attaching thereto. Those privileges are: that it can commence business as soon as it is incorporated; it need not hold a statutory meeting; it need not file a prospectus or statement in lieu thereof; it need not send balance sheets to shareholders (except at the request of the shareholder), or include a balance sheet with the usual annual summary which must be sent to the Registrar of Companies.

It must, however, send with the annual summary a certificate signed by a director or secretary that it has not issued an invitation to the public to subscribe for its shares, and if the number exceed fifty it must state that the excess consists of employees or ex-employees of the company.

A private company is thus a very convenient method for a trader who wishes to carry on or retain an interest in a business, but does not wish to risk all his capital in it. It also enables a testator whose capital is in the business to divide his estate without disturbing the financial arrangements of the business. A private company is not compelled annually to file a balance sheet, which, under the Companies Act, a public company must do. The capital of a private company is sometimes held almost entirely by one person. The company is then termed a *One Man Company*.

Memorandum of Association. This is a document containing certain prescribed provisions signed by the original members of a company at the date of its incorporation, and registered with the Registrar of Companies. If the company is limited by shares the memorandum contains (1) the name of the company with the word "Limited" at the end, (2) the part of Great Britain where its registered offices are, (3) the objects for which the company is formed, (4) a statement that the liability is limited, (5) a statement of the authorised capital. A company cannot exceed the powers taken in the memorandum, nor can it alter its memorandum except by leave of the Court. It is usual to draft the objects clause as wide as possible, so that it may cover any business which the company may conceivably desire to carry on.

Articles of Association. These contain the regulations agreed upon by the signatories which shall govern the internal management of the company and relations of the shareholders. A company may adopt its own articles, and alter them at any time by special resolution. In the absence of "special" articles the regulations annexed to the Companies Act, 1929, known as Table A, govern the internal management of the company. The signatories are the original subscribers, the seven or the two persons mentioned above, who must each subscribe not less than one share. Both Memorandum and Articles are registered at Somerset House, and may be inspected by anyone on payment of a small fee.

The Capital. The Memorandum of Association contains a statement of the amount of the company's capital, and also particulars of the number and character of the separate fractions or shares into which it is divided, *e.g.* "The Company's capital shall be £20,000, divided into 20,000 ordinary shares of £1 each." The amount of capital so fixed is called the *Authorised Capital*, or simply the *share capital*, and it is on the amount of *authorised, nominal* or *registered share capital* that the stamp duty of 5/- per £100 of capital must be paid on the registration of the company. Frequently the Authorised Capital is not wholly subscribed by the public, and sometimes it is not wholly issued to the public for subscription. The amount of the Authorised Capital issued to the public and the vendors is termed the *Issued Capital*. Any part of the authorised capital not so issued is termed *Unissued Capital*. That portion of the issued capital which is subscribed or taken up is termed the *Subscribed Capital*. Usually the directors of a company do not ask that all the capital issued and subscribed shall be paid up at once, but direct that a portion of each share shall be paid on application, a further portion on allotment, and other portions in a series of calls at later dates. The portion of the shares so called up by the directors on shares allotted is termed *Called Up Capital*; the balance remaining at call, the *Uncalled Capital*. The actual money received on shares allotted is termed the *Paid Up Capital*. The initial *Working or Circulating Capital* of the Company is the amount of money remaining in the hands of a company after all expenses incidental to the establishment of the company and the purchase of its fixed assets have been met, together with the surplus of any floating assets that may have been acquired over liability to creditors.

The Assets of Company. A company's assets are of two kinds: (1) *Floating* or *Circulating Assets*; (2) *Fixed Assets*. Of the latter, some are termed *Wasting Assets*, and to the extent that they are wasting it appears to be a misnomer to call them Fixed. Taking a railway company by way of example, the permanent way and rolling stock are Fixed Assets, *i.e.* they have been acquired for use, not for conversion into cash, and by their means the business of transport is carried on. Cash in hand, the outstanding book debts, temporary investments, stocks of stores, etc., are Floating Assets, seeing that they will sooner or later be converted into cash (Cash in Hand is Floating Assets already realised). Floating Assets must for balancing purposes be entered at their *probable* value on realisation, not their *book* value (where they have *appreciated* in value they would be entered at their book value). Fixed Assets are taken into account at their cost price, less an annual sum written off for depreciation, so that at the end of the " life " of the asset its residual value alone remains on the books. Fixed Assets, such as, *e.g.*, a leasehold, whose value depreciates as the outstanding term of the lease grows less, and those subject to wear and tear, *e.g.* machinery, are termed Wasting Assets. From a legal point of view it is difficult to determine precisely what are Fixed and what are Floating Assets. The Floating or Circulating Assets, so far as they are available, form the Working or Circulating Capital of a Company. In paying dividends the directors must take into account any loss of floating assets, but this is not necessary in the case of fixed assets.

Watered Capital. Sometimes a Company, taking over an existing business, pays a far heavier price for the goodwill than ordinary prudence would approve, the major part of the capital being represented by this intangible asset. The capital is then said to be Watered or Inflated, the probability being that dividends, if earned at all, will be small. Another instance of " Watered " Capital is where a highly successful company issues bonus shares to its shareholders, one or more for each share held, the effect of which is to reduce the dividend and premium on the shares, while it leaves the return to the original shareholders unaffected.

Company Promoters. The person or persons who promote or form a Public Joint Stock Company, and establish it as a going concern, are termed *Promoters*. Company promoting is a business in itself, and promoters are a class of persons skilled in dealing with the preliminaries necessary to the formation of a company, and possessing intimate knowledge of the investing public. A promoter stands in a fiduciary position to the Company he promotes, and must not derive any personal gain from the work of promotion without disclosing the fact to independent representatives of the Company; also to the public, if the public are asked to subscribe part of the capital. In the event of misconduct they are liable to proceedings in the winding up, and may be ordered to pay damages.

The Prospectus. The instrument used for raising capital from the public is called the *Prospectus*, the framing of which is very often a matter of nice calculation. The Prospectus can only be issued by the authority of the directors, all of whom sign it, and a copy must be lodged, before issue, with the Registrar of Joint Stock Companies. The law enacts that the Prospectus must contain certain information, which it is scarcely necessary to indicate here other than by the general statement that the facts insisted upon are such as will enable the public to form a fair judgment of the Company's prospects, and the value of its shares considered as an investment. Examples of prospectuses (somewhat abbreviated) are to be found daily in the leading newspapers. When a new public company does not issue a Prospectus it must lodge with the Registrar a *Statement in lieu of Prospectus*.

On the first allotment of shares to the public the "minimum subscription" must be shown, *i.e.* the amount which must be raised by the issue to pay for property to be acquired, preliminary expenses, and commissions, or to repay borrowed money.

Underwriters. Sometimes whole blocks of a new issue of shares will be taken up by a financial agent or group of agents, or by a bank or insurance company. This is called underwriting the shares. The underwriters guarantee subscribers for the shares, and for this service receive a commission on the nominal amount of the shares they underwrite. If subscribers do not come forward they must themselves hold the shares. The amount of the commission paid for underwriting must be disclosed in the prospectus. Underwriting Agreements are stamped with a 6*d*. stamp. The commission must not exceed 10 per cent. of the issue price, or the amount allowed in the Articles, whichever is the least. Underwriting commission must be distinguished from brokerage, which is a commission payable to a broker for placing the shares.

Letters of Application, Letters of Allotment, Letters of Regret. A *Letter of Application* is sent with the prospectus. An intending shareholder fills up the form, states the number of shares he is willing to take, and sends it, with the amount required per share on application, to the Company's bankers, or to the Registered Offices of the Company. This application form, properly filled up, is an offer to the company, which may be revoked at any time prior to allotment. *The Letter of Allotment* posted by the company is the company's acceptance of the applicant's offer, and the contract is completed as soon as it is posted. The Letter of Allotment takes power to assign a smaller number of shares than is applied for, but any other variation from the terms of the Letter of Application is not an acceptance, but a counter-offer which the applicant may accept or reject at discretion. The Memorandum or Articles of Association fixes a minimum cash subscription, stated in the prospectus, on which the Directors will go to allotment, and, if the minimum number of shares is not applied for, the Directors must not proceed to allotment, but return all moneys received to the applicants. The Directors have perfect discretion as to whom they shall allot shares and the quantity, and where they do not allot any shares to a particular applicant he receives a formal letter, termed a *Letter of Regret*, and a cheque for the amount paid in respect of his application. Where the number of shares allotted is smaller than the number applied for, the excess sum remitted on application is generally held against the sum due from the applicant on allotment. *A Call Notice* is a formal document used by a company for calling up an instalment of, or the whole of, the balance due on partly paid shares. The nature of all four kinds of documents will easily be gathered from the specimens at the end of the chapter. Letters of Allotment for an amount of less than £5 must be stamped with an embossed 1*d*. stamp. Over £5 the stamp duty is 6*d*.

Forfeited Shares. It may happen that a person who has subscribed for and been allotted shares in a company makes default when a Call is made upon him. In that case he forfeits his shares, and ceases to be a member of the company, and the money already paid in respect of the shares becomes the property of the company. The company may, notwithstanding the forfeiture, proceed against the defaulter to recover the amount due, and may re-issue the shares to any other person who is willing to pay the outstanding calls or such larger sum as may be agreed upon. The liability of a defaulting shareholder in respect of his default exists for a period of twenty years, but it is cancelled as soon as the company shall have re-issued the shares, and received the full nominal value of them. The procedure regarding the forfeiture of shares is set forth in the Articles of Association, and must be strictly followed, otherwise the Courts may hold the forfeiture to be illegal.

A Company's Books. A Limited Company must, under the Act of 1929, keep the following books: (1) a Share Register of

Members; (2) a Register of Directors; (3) a Register of Mortgages and Charges upon the Company's Property; (4) a Minute Book. In addition to which, Annual Returns containing, amongst other information, the names, addresses and holdings of the shareholders, must be made up to a date fourteen days after the first or only ordinary general meeting in each year, and sent to the Registrar within 28 days after the meeting. For administrative purposes various statistical books are kept, amongst others a Directors' Attendance Book, Transfer Register, Agenda Book, etc. A specimen page of a Share Register, and also of a Transfer Register are appended. Separate registers are kept for each class of shares, and also for Debentures. The Register of Members must, except when closed for preparing the dividend list, be kept open for inspection by members free of charge, and by the general public on payment of a fee of 1*s*., and any person may obtain a copy of the Register or any part thereof on payment of a small fee.

Preliminary and Flotation Expenses. These are the expenses incidental to the formation of a new company, and comprise payments for:

(1) Legal fees, stamp duty paid upon incorporation, and the transfer of the property from the vendor to the company.
(2) Cost of printing and circulating the Prospectus, Allotment Letters, with stamps, Call Notices, etc., and advertising.
(3) Commission paid to underwriters of Shares or Debentures.
(4) Brokerage paid to stockbrokers for introducing applicants for Shares.
(5) Cost of Share Certificates, Debenture ditto, etc.

An estimate of these expenses must be given in the prospectus. These preliminary expenses are written off to Profit and Loss account during the first few years of the company's life.

Annual Meetings and Accounts. Companies, incorporated under the Act of 1929, must hold annual meetings of members, at which audited accounts are presented for consideration. Dividends are declared at these meetings, but dividends can only be declared out of profits. If the profits are ample the directors have the power to declare, usually at a period of six months after the holding of the last annual meeting, what are known as *Interim Dividends*. Every company must keep proper books of account as to (*a*) receipts and expenses, (*b*) sales and purchases of goods, and (*c*) assets and liabilities. Every year the directors must lay before the company a profit and loss account and a balance sheet signed by two directors with the auditor's report attached. The accounts are presented at the Annual Meeting. The balance sheet must contain a summary of the share capital authorised and issued, and of the liabilities and assets, so as to show their general nature and to distinguish between the fixed and floating assets stating how the values of the fixed assets have been arrived at. The preliminary expenses and expenses of the issue of shares or debentures must be given under separate headings, as also the amount of goodwill if it is shown as a separate item. Any shares held by the company in subsidiary companies must be shown, together with profits or losses therefrom; also loans to directors and directors' remuneration.

Winding Up. The winding up of a company may be either (1) by the Court, or (2) voluntary, or (3) subject to the supervision of the Court. In all three cases a liquidator is appointed to realise the property, first, in payment of the debts of the company (subject to the costs of the winding up), and secondly to divide any balance among the shareholders.

In a winding up by the Court or under the supervision of the Court the control of the liquidator is in the hands of the Court, whereas in a voluntary winding up it is in the hands of creditors or shareholders according as the company's affairs are insolvent or solvent.

The most common cause of winding up is the inability to pay debts, and when this occurs a creditor or contributory may present a petition for the winding up of the company by the Court. If the Court makes an order to this effect, the Official Receiver then becomes a provisional liquidator until another liquidator is appointed. No action may then be proceeded with against the company except by leave of the Court, and no further transfer of shares may take place. The assets are applied by the liquidator *pari passu* in payment of creditors and contributories under the control of the Court. An order for winding up under supervision is made upon petition in the same way, but such orders are rare. They are usually made where the company is already in voluntary liquidation, the liquidator being continued in office subject to the supervision of the Court.

Voluntary Winding Up, on the other hand, is commenced by resolution of the company in general meeting, either on *ordinary* resolution where the period fixed by the Articles for the duration of the company expires, or on an *extraordinary* resolution where the company "cannot by reason of its liabilities continue its business and it is advisable to wind up."

The Act of 1929 provides that if the company is thought to be solvent the directors may make a statutory declaration to that effect, whereupon the liquidator will be appointed by the company in general meeting. If, however (as is usual), the company is insolvent, the liquidator is appointed by creditors in general meeting, who then have control of the liquidation. The creditors may, however, appoint a committee of inspection consisting of five persons to whom they depute their powers.

In a winding-up by the Court the liquidator upon the conclusion of his duties calls a meeting of creditors and contributories and applies to the Board of Trade for his release, which will be granted if his accounts are in order.

In a Voluntary Winding Up the liquidator should pay any moneys into the Companies Liquidation Account at the Bank of England, and obtain a resolution of discharge from creditors and the company at final meetings called by him for the purpose.

SHARES, STOCKS, DEBENTURES

Holdings in a Limited Liability Company may consist of (1) Shares; (2) Stock; (3) Debentures.

Shares may be (a) *Ordinary*, (b) *Redeemable Preference*, (c) *Preference*, (d) *Cumulative Preference*, (e) *Participating Preference*, (f) *Deferred*, (g) *Founders'* or *Management*.

Stock may be (a) *Ordinary*, (b) *Preference*, (c) *Guaranteed*, (d) *Debenture*.

Debentures may be (a) *Debentures issued on a mere promise to pay*, (b) *Mortgage Debentures*, or as they are termed in the United States, *Mortgage Bonds*.

Shares. A Share is the unit of the capital contributed by the members of a company, the ownership of which determines the rights and obligations of the holder to the company and its creditors. Shares can only be transferred in multiples of the unit in which the capital is divided. A holder of shares has for evidence of his holding a *Share Certificate*, given under the common seal of the company, setting forth particulars of his holding, which particulars are recorded in the Shareholders' Register kept by the company. Shares may be *fully paid* or *partly paid*—*e.g.* a new company might offer its capital for subscription in £1 shares, payable 2*s*. 6*d*. on application, 5*s*. on allotment, 5*s*. on a specified date, and the balance of 7*s*. 6*d*. as required. If the balance of 7*s*. 6*d*. were not called up, a holder of shares would be a holder of so many £1 shares, 12*s*. 6*d*. part paid, with a contingent liability of 7*s*. 6*d*. on each share. The shares of banks and insurance companies are usually part paid, and as, generally speaking, the denomination of the shares is high—*e.g.* £10, £20, £80, £100—there is usually a large contingent liability upon them. But many banks have taken advantage of the provisions of the Companies Act, Section 49, and by special resolution declared that the uncalled capital shall only be called up in the event of winding-up.

Shares at a Discount. It is illegal to issue shares at a discount, as this would prejudice the rights of creditors and would be equivalent to a reduction of the capital of the company. The shares must be paid for in cash or in kind. Where shares are paid for in kind, *i.e.* by services, assets, or similar consideration, the contract must be registered within a month. The amount of the consideration will not be examined by the Court, unless it is so inadequate as to be fraudulent.

The issue of shares to underwriters with a deduction for commission is an apparent exception, but a real exception was introduced by the Companies Act, 1929, S. 47, which allows the issue of shares at a discount, provided that

(*a*) it is authorised by resolution of the company and sanctioned by the Court;
(*b*) the resolution specifies the maximum rate of discount;
(*c*) not less than a year has elapsed since the company was entitled to commence business;
(*d*) the shares are issued within a month after the sanction is obtained;
(*e*) particulars of the discount appear in every prospectus relating to the issue and in every balance sheet of the company.

Ordinary Shares are those taking the surplus profits after all preferential rights have been satisfied. If there are deferred interests, ordinary shares usually take a fixed percentage of the profits before the deferred interests participate. In America ordinary shares are designated *Common Shares.* If the capital of a company consisted solely of Ordinary Shares, the net profits, subject to any appropriation for building up a reserve, etc., would be equally distributed amongst the shareholders, at a uniform rate of so much per cent. on each share.

Preference Shares are those which participate in a stated share of the profits before other shares are entitled to participate. The preference may exist in respect of dividend or capital or both. Suppose the case of 6 per cent. Preference Shares, carrying preference both in respect of dividend and capital. Then in any particular year, if sufficient net profits were realised, 6 per cent. must be paid on these shares before any other classes of shares can participate at all. In the event of winding-up, assuming a return of capital can be made, the capital represented by these shares must be returned to the shareholders before the other classes of shareholders receive a return of their capital. In the absence of a clear expression to the contrary Shares preferential as to dividend are Cumulative. The Articles should be consulted as to the conditions, which vary in different companies.

Cumulative Preference Shares. These shares differ from Non-cumulative or Ordinary Preference Shares in that, should the fixed percentage or any portion of it not be paid in any year, the arrears must be carried forward and paid before other Shares are entitled to any dividend. Unpaid Cum. Preference dividends are a contingent liability on the company, and as such are shown on the balance sheet. Strictly, such arrears are not contingent liabilities, as the right to dividend depends upon profits being made, and also upon the declaration of a dividend by the directors, who may, if they think fit, appropriate the whole balance of profit to reserve.

Participating Preference Shares. In addition to the fixed rate of dividend, these shares are also entitled to share the surplus profits upon defined terms with the Ordinary shareholders.

Redeemable Preference Shares. These may be issued by a company, if the Articles allow, on the terms that redemption shall be out of profits or out of the proceeds of a fresh issue of shares. If they are to be redeemed out of profits a special "capital redemption reserve fund" must be formed for the purpose. The amount of the shares must be shown in the balance sheets of the company, with the dates of redemption.

Deferred Shares. Ordinary Shares are sometimes sub-divided into Preferred Ordinary and Deferred Ordinary. These bear much the same relation, one to the other, as Non-Cumulative Preference Shares bear to Ordinary Shares—*i.e.* Deferred shareholders do not get any dividend till a fixed rate of dividend has been paid to the Preferred Ordinary shareholders. But after the Deferred shareholders have received their agreed rate of dividend, the Preferred Ordinary shareholders may, subject to other deferred interests (Founders' Shares), participate in the surplus.

Founders' or Management Shares. These are very limited in number, and are usually issued to promoters, or founders, or underwriters of shares. This class of share only participates in the profits after all the other classes of shares have received fixed rates of dividend. They are frequently worthless, but when, through skilful management, the profits of a company increase year by year, they become very valuable, as after prior interests have been satisfied they are entitled to all or to a considerable percentage of the surplus profits.

Share Warrants. A company so empowered by its articles, as originally framed or as altered by special resolution, may, instead of fully paid Share Certificates, issue Share Warrants to bearer which are transferable by delivery. Share Warrants are stamped (embossed) to three times the *ad valorem* transfer duty on the nominal amount of the shares they represent. The holder's name is not entered in the Share Register of the Company, but he may at any time surrender his Warrant for registered share certificates. A private company cannot, however, issue share warrants.

Stock. The capital of a Company formed under the Companies Acts is always divided into shares, but where a company's articles, either as originally framed or altered by special resolution, permit it, fully paid up shares may be converted into Stock, each holder of shares receiving an equivalent amount of stock. In cases where the capital of a Company or a loan to a Company is in one sum, which, for purposes of transfer, is divided into amounts denoted, like Shares, by their nominal value, it is called Stock. The great advantage of Stock over Shares is that it may be transferred (bought and sold) in fractional parts. Thus a person might be the owner of £110 10*s*. 6*d*. of Consols, but in the case of £5 shares he must own so many whole shares, so many multiples of £5. Similarly, with shares of any other denomination. But sometimes the Articles of Association or Act of Parliament authorising the issue of Stock restrict transfers to multiples of some round sum, *e.g.* £1, £10, £50, etc. Stock Certificates to Bearer are embossed with a stamp equal to three times the *ad valorem* duty chargeable on a transfer for a consideration of the nominal value of the stock.

The different classes of Stock will be readily understood from the enumeration given below of the various divisions of the capital of the London, Midland and Scottish Railway Company, and the rates and amounts of interest or dividend paid thereon for the year under review:

Name of Stock.	Amount.	Rate.	Amount paid.
1. Debenture Stock . .	£101,000,000	4 %	£4,400,000
2. Guaranteed Stock. .	£40,000,000	4 %	£1,600,000
3. Preference Stock . .	£119,000,000	4 %	£4,760,000
4. Consolidated Ordinary .	£95,000,000	6 %	£5,700,000
Aggregate Interest and Dividend paid			£16,460,000

(1) **Debenture Stock.** Holders of this Stock have in support of their holding the whole earning power of the Railway, and priority of security on the general undertaking.

(2) **Guaranteed Stock.** The title is somewhat misleading. "Guaranteed" here does not mean that the Stock is supported by Government, or by some outside corporation who is responsible for the due payment of the interest. It does, in the case of some securities, mean this, but here it means simply that the Stock is a 4 per cent. Cumulative Preference Stock, with a prior right to interest over all the other classes of Stock, except the Debenture Stock, and a priority in respect of the return of capital. In other words, that it ranks next in order of security to the Debenture Stock. It will be observed that the company might lose the whole of the profits necessary for the interest on dividends in respect of Stocks (3) (4), and yet be in a position to pay the interest on this Stock.

(3) **Preference Stock.** This ranks next in order of security and payment of interest to the Guaranteed Stock. Here again the security is ample, and the rate, 4 per cent.

(4) **Consolidated Ordinary Stock.** The dividend on this Stock, being subject to the full vicissitudes attending the working of the line, is variable in amount. It is a more speculative investment than any of the other Stocks, and the rate for the year reviewed, viz., 6 per cent., was fittingly higher. But had the working of the line proved less satisfactory, there would have been a corresponding drop in the rate of dividend. In the United States such stock is termed *Common stock.*

Debentures. Ordinarily a Debenture is a bond, given in exchange for money lent, by which the company agrees to repay the principal to the lender at some future time, and in the meantime to pay a stated rate of interest for its use. A Debenture may be either (1) a simple promise to pay or (2) a promise to pay, secured by a mortgage or charge upon the whole or part of a company's assets. Debentures of the latter class are termed Mortgage Debentures, or Mortgage Bonds. The property constituting the security is vested in Trustees, and held by them for the Debenture-holders, who become the virtual owners of the property, and no dealing with it, or change in its constitution, can be effected without their consent. In other cases Debentures are secured by a floating charge or General Lien upon the undertaking of a company, which General Lien, however, does not preclude the company from dealing with its assets, if it be necessary in the interests of the business generally. Hence while these assets may be increased in value by wise management they may be decreased in value by bad management. The usual course adopted by companies is to give a specific charge over the immovable assets, and a floating charge over the movable assets. The practice of any given company is determined by the Memorandum of Association, which governs the company's borrowing powers. In some companies the borrowing powers are strictly limited. Duty is payable at the rate of 2/6 per £100 on the amount of all loan capital proposed to be secured by a debenture issue.

A Debenture-holder is a *creditor* of the Company, and, even if he is unsecured, always ranks for payment in full before shareholders of any class. The interest payable upon Debentures is a *charge* upon the Company, which must be met whether profit is made or not, whereas a dividend on shares is an *appropriation of profits.*

The Share Capital is the *proprietors'* capital; Debenture Capital is money *borrowed on security.*

Debenture Bonds are usually issued for round sums, £50, £100, £200, etc. A Company sometimes issues more than one series of Debentures, termed successively, First, Second, and Third, or A, B and C Debentures. These rank in security according to priority of issue. In the event of liquidation the first, or A debenture-holders, must be satisfied before the second or B debenture-holders, and the second or B debenture-holders before the third or C debenture-holders. Debenture Stock is one issue, or a series of issues consolidated, each stock-holder receiving an amount of the Stock proportional to his original holding. Debenture Stock possesses the same advantage of greater transferability over Debenture Bonds as Stock over Shares, *i.e.* Debenture Stock may be transferred in fractions, whereas Bonds must be transferred entire.

Redeemable and Irredeemable Debentures. Where a Company issues Debentures, which they are at liberty to pay off, on or after a certain date, they are termed Redeemable Debentures. Provision is made for this redemption by setting aside and accumulating, at interest, a portion of the annual profits. The issue is either paid off all at once, or a number of Debentures are drawn annually by lot—the redemption of the issue proceeding by stages. Sometimes one series of Debentures is paid off by utilising the proceeds derived from a new issue of Debentures. Debentures that cannot be paid off and cancelled are termed Irredeemable or Perpetual Debentures. These, where the security is good, are a much sought after investment, but mortgage Debentures that have only a short period to run are not greatly esteemed, as when redeemed the former holders have the trouble, sometimes attended with loss, of finding a new investment.

Interest or Dividend? Where the return upon an investment is a variable return, dependent upon the amount of net profits available for division, the return is termed a *Dividend.* Where the return is fixed, it is appropriately termed *Interest.* Thus the return on L.M. & S. Debenture Stock is Interest; the return on the Ordinary Stock, Dividend.

Registration of Debentures. Debentures and mortgages must be registered with the Companies' Registrar within 21 days of their creation. If not, they are void against the liquidator (in the event of liquidation) and creditors of the company. As regards the company, the effect of non-registration is that the security is void, but the debt is still owing from the company, and proof may be made for it by the holder as an unsecured creditor in a winding up.

Terms of Issue. Shares may be issued for cash, or for payment in kind. An instance of the latter occurs when the vendors to the Company take the whole or part of the purchase price in fully paid shares. In such cases an agreement is entered into between the vendors and the Company, and particulars of this agreement must be disclosed in the Prospectus or Statement in Lieu of Prospectus. Shares may not be issued at a *discount,* except under S. 47, but they may be issued either at *par* or at a *premium.* They are issued at *par* when the money paid or payable for the share is the nominal value of the share. It makes no difference that usually payment is spread over a period of time, or that part of the share may never be called up. Shares are issued at a *premium.* when the actual money paid or payable for the share is more than the nominal value of the share. In the case of flourishing companies returning an increasing dividend, the quotation of the shares on the Stock Exchange—their market value—will generally be in advance of their nominal value. Hence, if the directors of such a company proceeded to a new issue of shares, they would issue them at a slightly lower premium than that disclosed by the market quotation, *e.g.* if the existing share were £5 shares and quoted at a premium of 25/-, making the cost of each £5 share £6 5*s*., the new issue might be offered at a premium of 22/6, or £6 2*s*. 6*d*. per £5 share. Premiums received on shares by a Company are not usually regarded as profits, but are transferred to a special reserve account. This is the prudent course to adopt, but there does not appear to be any legal objection to the distribution of such premiums as profits.

Debentures may be issued (1) at *par*, (2) at a *discount*, or (3) at a *premium* They are issued at *par* when for each Debenture the full nominal value is to be paid, *e.g.* when a £100 Debenture or £100 of Debenture Stock costs £100; they are issued at a *discount* when, *e.g.*, a £100 Debenture is offered for £98, *i.e.* less than its nominal value, and at a *premium* when, *e.g.*, a £100 Debenture is issued at £102, *i.e.* more than its nominal value. Similarly, they are redeemable at par if, *e.g.*, for every £100 Debenture the company must pay £100 to cancel it; and redeemable at a premium if, *e.g.*, for every £100 Debenture the company must pay £102. Premiums received on an issue of Debentures are usually, as in the case of premiums received on shares, transferred to a special reserve account, and not treated as profit. Where they are issued at a discount the amount of the discount is written off by equal annual transfers to profit and loss account. The terms on which Debentures are issued are largely governed by the conditions of the money market at the time, and by the security offered.

Remedies of Debenture-Holders. If default is made in payment of interest or principal, the holder should consult the conditions on the back of his debenture. They usually enable him to appoint a receiver by written document. The receiver's duty is to take over the money coming into the company's coffers until the debenture is satisfied. In the absence of such a condition, or in addition to it, the debenture-holder can apply to the Court for the appointment of a receiver and manager and for power of sale of the assets. The receiver must give security, and the fact of his appointment must appear on the letters and invoices issued by the company. A manager may also be appointed when it is desired to carry on the company's business.

Convertible Stock. Where Stock is termed *Convertible*, it means that the holder has the right of exchanging his holding of a particular Stock for another class of Stock in the same company. It might in some cases be advantageous to possess this right, as, *e.g.*, where a person holds, say, 6 per cent. Preference Shares in a company which has proved its stability and soundness by returning annually increased dividends on the Ordinary Stock till the dividend stands at a far higher figure than the 6 per cent. payable on the Preference Shares. But this exchange, of course, could only be effected at the expense of security.

Gold and Sterling Bonds. It has already been mentioned that

Bond is the term used in the United States and other countries for Mortgage Debentures. A Gold Bond signifies a Bond on which the interest due and the proceeds on redemption are expressed as payable in gold. A Sterling Bond is one on which the interest due and the proceeds on redemption are payable in British Currency. Investments in Foreign securities should be restricted to these classes of Bonds. Serious loss might fall to the holder of foreign Bonds—especially in countries suffering from the effects of a depreciated currency—if the interest or the proceeds on redemption were payable in the currency of the country issuing the Bonds. The only difference between these two classes of Bonds is that in the former case the question of exchange arises—the money has to be remitted to the British holder ; whereas in the latter case, the issues having been made in this country, the interest and capital are payable here in British gold. Where the interest and capital on a foreign bond are payable in the foreign currency it is known as a *Currency Bond.*

Securities. Shares, Stock, Debentures, etc., are generically termed Securities. Securities are *Registered*, *Inscribed*, or *Bearer* securities.

Registered Securities. These, as already explained (*see* p. 446), are securities recorded in the books of the issuing company, and for which the holders possess certificates. Such securities cannot be transferred by mere delivery. The certificates, with a short deed of transfer signed before witnesses both by the transferor and transferee, and stamped where not, as in the case of some stocks, exempted from stamp duty, in accordance with the scale of duty set forth on p. 458, must be lodged at the offices of the company, who, if everything is in order, will cancel the certificates standing in the name of the transferor, and issue fresh certificates, made out in the name of the transferee, at the same time effecting the necessary adjusting entries in their books. The usual fee charged by companies for registering a transfer is 2/6. A specimen form of transfer is appended. Dividends on Registered Securities are paid by cheques despatched to the registered holders by the companies issuing the securities.

Inscribed Securities. With securities of this kind the title to ownership does not rest in the possession of *Scrip*, as Bonds, Stock and Share Certificates, etc., are loosely called, but in the inscription of the buyer's name in the books of the Bank, by whom the issue is managed. A person who buys, *e.g.*, £100 of inscribed stock, receives from the broker, through whom he buys, a *Stock Receipt*, which, however, possesses no negotiable value. He with the broker attends at the bank where the stock is inscribed, and signs his name in the register, as accepting the transfer. This plan has proved somewhat inconvenient, and now a buyer of Inscribed Stock managed by the Bank of England (the practice of other banks is now similar) may attend personally or by his attorney at the Chief Accountant's Department, pay a fee of 1/-, and leave the Stock Receipt, which in a day or two will be returned with a printed memorandum on its face, signed by the Chief Accountant, to the effect that the Stock to which the receipt relates was inscribed in the bank's books in the name of the buyer on such and such a date. If personal attendance be inconvenient the process of inscription can be effected through the post. Dividends on Inscribed Securities are usually paid by Warrants sent to the holders by the Bank managing the issue.

Bearer Securities. When Shares or Stock are issued in the form of Share or Stock Warrants, or when Debentures are expressed as payable to Bearer, sale is effected by handing over the securities against cash. With this form of Securities a number of Interest or Dividend coupons are attached. These coupons, of which a specimen is shown on p. 464, are cut off and paid into the bank on the due date, and collected by the banker in the same way as cheques. They are arranged like a sheet of postage stamps so that they can be cut off in the order in which they are payable. Where the coupons are insufficient to outlast the life of the bonds a *Talon* is attached, presentation of which entitles the holder to a fresh supply of coupons. Securities of this kind are usually lodged by their holders with their bankers for safe custody. They are negotiable instruments, and therefore if they got into wrong hands the results to the rightful owner would be disastrous. Share warrants cannot be issued by private companies as it is necessary to limit the number of members to fifty, and this can only be done by means of a register.

Scrip Certificates. It was stated on p. 449 that Bonds, Stock, and Share Certificates, etc., were loosely termed *Scrip*. Scrip certificates are really provisional documents issued by Companies, Corporations, or Governments, as evidence that the holders are entitled to Bonds, Stock or Shares when issued, and when all the instalments due in respect of them have been paid. These documents are given up against receipt of the actual Bonds, Stock or Share Certificates If the Scrip entitles the holder or the company, at discretion or on a definite date, to substitute proportional amounts of other stocks or shares for that to which the Scrip relates, it is termed *Omnium Scrip*. The right to Securities may be transferred by Delivery of Scrip.

Classes of Securities. (1) British, Indian, Dominion, or Foreign

Government Securities; (2) British Municipal Stocks; (3) Dominion and Foreign Corporation Stocks; (4) British, Indian, and Dominion Railway Stocks; (5) American and other Foreign Railway Stocks; (6) Banking and Insurance Companies; (7) Industrials, *e.g.* Breweries, Gas and Electric Lighting Cos.; Iron, Coal and Steel Cos.; Land, Mortgage and Financial Cos.; Shipping, Tea, Coffee, and Rubber Cos.; Tramway and Omnibus Cos.; Trusts, Waterworks, and Mining Shares.

British Government Securities. The debt owing by the British Government, known as the National Debt, is divided into two main classes: (*a*) the Internal Debt, (*b*) the External Debt. The Internal Debt is also divided into two classes: (*a*) the Funded Debt, (*b*) the Unfunded Debt. The Funded Debt is known shortly as The Funds. Funded debt is permanent debt which the Government is not obliged to pay off at any fixed time. Unfunded debt consists of borrowings for shorter or longer periods which must be paid off at specified dates. Almost the whole of the National Debt has been raised for the prosecution of war. The following is a statement of the National Debt as it stood on March 31, 1929:—

INTERNAL DEBT

Funded Debt:	£
2½ % Consols	276,225,755
2¾ % Annuities	2,399,679
2½ % Annuities	21,120,357
3½ % Conversion Loan	811,033,966
4 % Consols	353,862,064
Debt to Banks of England and Ireland	13,645,869
	£1478,287,690
Terminable Annuities	£12,531,110
Unfunded Debt:	£
Treasury Bills	700,295,000
Ways and Means Advances	37,050,000
4½ % War Loan	12,804,341
5 % War Loan	2184,468,777
4 % War Loan	79,684,835
4 % Funding Loan	382,059,454
4½ % Conversion Loan	223,119,139
4 % Victory Bonds	340,509,945
3 % Exchequer Bonds	15,640,000
Treasury Bonds	680,594,703
National Savings Certificates	361,238,312
4 % National Savings Bonds	787,538
Other Debt	1,753,050
	£5020,005,094

EXTERNAL DEBT

The External Debt on March 31, 1929, amounted to £1085,000,000 (approx.), the major portion of which, £945,000,000, is due to be repaid, with interest, to the United States of America within a period of about sixty years. But as against this total external debt, the country is owed vast sums by other countries. It may be assumed that the external assets of this country in the shape of war debts due to her from other countries are at least equal to her own external debt to the United States and other countries.

Redemption of National Debt. The National Debt is being gradually paid off by means of a Sinking Fund. By Act of Parliament an annual Debt Charge of £355,000,000 has been fixed. Out of this debt charge, interest on the National Debt, and the expenses of its management, are paid, the balance not required under these heads being employed to maintain sinking funds for specific Government Stocks and for the service of Savings Certificates. The current charge for interest and management of the debt is reduced by operation of the various specific Sinking Funds, and the sums saved thus become available for augmentation of the Sinking Fund.

The Floating Debt. On June 30, 1929, the Floating Debt stood as follows:—

	£
Ways and Means Advances by the Bank of England	12,920,000
Advances by Public Departments . .	63,770,000
* Treasury Bills	614,590,000
	£691,280,000

* *See also* pp. 400–1.

Annuities. The student will note above an item standing by itself "Terminable Annuities, £12,531,110." An explanation of this item may suitably be offered. Terminable Annuities are annuities granted to stockholders and others for life, or for a limited number of years, in exchange for their holdings in the permanent debt. As an illustration of a life annuity, take the case of a woman aged 65 (these annuities are chiefly purchased on the lives of women), possessing, say, £500 worth of Consols (Consols is an abbreviation of the word "Consolidated"), the yearly interest on which at 2½ per cent. would be £12 10s. She arranges to hand over the £500 worth of Stock, at the then market price, to the National Debt Commissioners, who in exchange would agree to pay her until death a yearly sum of about £40 12*s.* 6*d.* The Government is thereby released from the payment of the yearly interest on the nominal value of the Stock, and also from the liability of redemption, for at the person's death the £500 worth of Stock would be cancelled. These terminable annuities are thus a means for the gradual extinction of the permanent debt.

Examples of other Classes of Securities:

New Zealand 4 % = Colonial Government Security.
Chinese Imperial Rly. Gold Bonds 5 % = Foreign Government Security.
Glasgow Corporation 2¾ % = British Municipality Security.
Toronto Sterling Bonds 4 % = Colonial Municipality Security.
Melbourne Harbour Trust 5 % Bonds = Colonial Municipality Security.
New York 4½ % Corporation Stock = Foreign Municipality Security.
London, Midland and Scottish 4 % Pref. Stock = British Rly. Stock.
Grt. Indian Peninsular 4 % Deb. Stock = Indian Rly. Stock.
Grand Trunk of Canada 1st Pref. Stock 5 % = Colonial Rly. Stock.
Baltimore & Ohio Non. Cum. 4 % Pref. = Foreign Rly. Stock.
Uruguay Northern 7 % Pref. Stock = Foreign Rly. Stock.
Gas Light & Coke Co.'s 4 % Cons. Pref. Stock = Industrial.
Barclays Bank B £1 Shares = Bank Shares.
Harrods Stores, Ltd., £1 Ordinary Shares = Industrial.
Callender's Cable & Cons. Co.'s £5 Shares = Industrial.
West Rand Consolidated £1 Shares = South African Mines.
Geldenhuis Deep £1 Shares = Rand Deep Mines.
Fanti Consolidated 10*s.* Shares = West African Mines.
Lake View Consols, £1 Shares = Australian Mines.
Anaconda Copper, $25 Shares = U.S. Mines.

Character of Securities. British and Indian Government Stocks, Municipal or Corporation Stocks, some Indian Railway Stocks, and a few foreign loans, belong to the class of Inscribed Stocks and are managed by the Bank of England, where they are not, as is the case with many of the Municipal Stocks, managed by one of our large joint stock banks. Dominion Government Securities are also usually Inscribed, though they sometimes exist in the form of Bearer Bonds. Foreign Government Securities are generally Bearer Bonds, but are sometimes Inscribed and sometimes exist in the form of English Scrip. Dominion and Foreign Corporation Securities exist sometimes as Inscribed Stock, sometimes as Bearer Bonds. British and Colonial Railway Securities exist in the form of registered Stock Certificates; American and Foreign Railway Securities either as Bonds to Bearer, or Stock or Share Certificates. The Stock or Share Certificates of

United States Railways bear a form of transfer on the back, and are practically bearer securities which, on being endorsed by the person to whom they were originally issued, may be registered in the name of the new holder through the British agent of the railway issuing them. Insurance and Banking Companies Securities are with but few exceptions registered shares, and these, as already mentioned, carry a heavy reserve liability. Breweries, Distilleries, and Gas Companies' Securities are mainly registered stock, but sometimes shares are issued. Electric Lighting and Power Companies, and Iron and Steel Companies, mainly issue registered shares, but frequently stock; and Land, Mortgage and Financial Companies as often issue shares as stock. Shipping and Telegraph Companies sometimes issue shares, sometimes stock. Tea, Coffee, and Rubber Companies almost invariably issue shares, as also do Mining Companies. Trusts usually issue stock, and Tramway and Omnibus Companies either stock or shares. Generally, industrial companies issue shares, but not infrequently their capital is divided into stock.

Floaters. This is the name given to those classes of Bearer Securities which the Bank of England is willing to accept as security for loans. They comprise British and Indian Government Securities, Treasury Bills and Exchequer Bonds, Indian Treasury Bills, County Council Bills, Corporation Bills issued by the Bank of England, Guaranteed Debentures of Indian Railways, etc.

Lloyd's Bonds. These are special Bonds (named after their originator, J. H. Lloyd) issued by Railway Cos., etc., whose powers of borrowing are limited, as security for debts contracted in respect of work done, or supplies furnished. The Bond is an acknowledgment of the debt, and states that in consideration of the creditor agreeing to allow the debt to remain for a stated period the Company will discharge the debt on a specified date, and in the meantime pay interest at a stated rate per cent. per annum.

Stamps on Securities. Registered Bonds, Mortgages, Debentures, etc., transferable only by instrument of transfer:

Where the amount secured (=Capital+Premium on redemption, if any) does not exceed £10	3*d*.
Exceeding £10 and not exceeding £25	8*d*.
„ £25 „ „ „ £50	1/3
Each additional £50 or fraction thereof, additional	1/3
up to £300, and then for every additional £100 or fractional part thereof	2/6

Where the security is given in substitution for a like security or a Bearer security, duly stamped, the duty on the substituted Registered security is 6*d.* per cent. on the amount secured, maximum 10/-.

Bonds, Debentures, etc., payable to Bearer or transferable otherwise than by instrument of transfer:

For every £10 of fractional part thereof

If capital is repayable within one year . . .	6*d.*
,, ,, ,, ,, three years . . .	1/-
,, ,, ,, after ,, ,, . . .	4/-

Where these securities are given *in substitution* for like securities duly stamped, repayable at a time exceeding three years, the duty is

For every £20 or fractional part	2/-

Trustee Stocks or Investments. Generally, the higher the rate of interest or dividend obtained on investments in stocks and shares the greater is the element of risk. Four and a half per cent. can be earned with safety, and an investment at five per cent. may be reasonably secure, but beyond that the experience of able financiers and business men amply shows that the increased risk assumed by the investor is not in the long run conducive to the integrity of his capital. In a " Plain Guide to Investment and Finance," Mr. T. E. Young cites the case of one of the shrewdest men of his acquaintance who, at the close of his commercial career, stated that " taking into account his losses upon investments in various classes of undertakings, and weighing them against his gains he would have stood in the same financial position had he, throughout his long career, confined himself to British Government Securities and similar investments, with their lower rate of interest." For the protection of trustees holding or investing money on behalf of other persons the Trustee Act, 1925, provides that trustees may, unless specially forbidden by the Trust Deed, invest money in the following securities, and if so doing they are not to be held responsible for any loss that may be sustained. They may also from time to time vary any such investments.

TRUSTEE ACT. 1925 (SECTIONS 1–7)

(*a*) Government Securities, Public Funds, or Parliamentary Stocks of the United Kingdom. (*b*) On real or heritable securities in the United Kingdom. (*d*) Indian Government Securities, and (*e*) Securities the interest of which is guaranteed by Parliament.

(*c*) Bank of England and Bank of Ireland Stocks.

(*f*) Metropolitan Board of Works Stock, London County Council Stock, and Metropolitan Police District Debenture Stock.

(*g*) Debenture, rent charge, guaranteed or preference stocks of any railway in the United Kingdom, if the dividend for the last ten years has been not less than 3 per cent. per annum on the ordinary stock.

(*h*) Stock on any railway or canal company, leased for not less than 200 years at a fixed rent to any railway company under (*g*).

(*i*) Debenture stock of any Indian railway, the interest on which is paid or guaranteed, or (*k*) other stock on which a fixed or minimum dividend in sterling is guaranteed by the Indian Government, or upon the capital of which the interest is so guaranteed.

(*j*) " B " Annuities of the Eastern Bengal, East Indian and Scinde, Punjaub and Delhi railways, and any like annuities, charged on the revenue of India, also in " D " Deferred Annuities and " C " Annuities of the East Indian Railway.

(*k*) Stock of any company owning or operating any Indian railway, on which a fixed dividend is guaranteed by the Secretary of State for India.

(*l*) Debenture, guaranteed, or preference stock of any incorporated water company in Great Britain which has for the last ten years paid a dividend of not less than 5 per cent. on its ordinary stock.

(*m*) Municipal stocks of towns of over 50,000 inhabitants, or County Council stocks issued under Act of Parliament or provisional order.

(*n*) Water trust stocks of towns or compulsory districts of over 50,000 inhabitants where assessment for each of the last ten years has not exceeded 80 per cent. of the amount authorised.

(*o*) Stocks, funds or securities authorised under the Colonial Stock Act, 1900, or any Act extending the same.

(*p*) Local bonds issued under the Housing (Additional Powers) Act, 1919, and mortgages of any period or rate granted by a local authority which is authorised to issue local bonds under that Act.

(*q*) Stocks issued in respect of any loan raised by the Government of Northern Ireland.

The four great English railways are each to be regarded as a company which has in each of the ten years before the amalgamation in 1923 paid a dividend of 3 per cent. on its ordinary stock.

(*r*) Stocks authorised for investment of funds under the control of High Courts of Justice.

Section 2, sub-section (1), permits the purchase at a premium of redeemable stocks, but sub-section (2) prohibits investment in those stocks otherwise available under sub-sections (*g*), (*i*), (*k*), (*l*) and (*m*) of section 1 which are liable to redemption at par or other fixed rate within 15 years of the date of purchase, or which stand at a premium exceeding 15 per cent. above the redemption value.

Investment by Scottish Trustees is provided for by separate Acts.

TEST PAPER XXIX

1. Name the classes into which shares of Joint Stock Companies may be divided and describe the characteristics of each.

2. What is the difference between the Funded and Unfunded Debt of the British Government?

3. Explain the use of Exchequer Bonds and Treasury Bills.

4. Of what does the Funded Debt of Britain consist?

5. Explain the difference between Inscribed Stock and Bonds to Bearer.

6. What are " Floaters "?

7. Describe the use, growth, and present condition of our National Debt.

8. Describe the functions of an Official Receiver.

9. What are (*a*) a Certified Cheque; (*b*) Accommodation Bills; (*c*) Trade Bills; (*d*) Moratorium.

10. Explain " Limited by Guarantee " and " Reserve Liability."

11. What are the usual arrangements as to right of transferring shares? How is such transfer effected?

12. In what way can a Joint Stock Company borrow money? What security can it offer?

13. How may classes of Debenture do you know? What is underwriting Debentures? By whom is it done? What purpose does it serve?

14. Mention any claims you know that have priority on the Assets of a Company in Liquidation?

15. State the duties and liabilities of a Company promoter. To what remuneration is he entitled?

16. What is meant by Memorandum of Association? What precautions should be taken in drafting the paragraph dealing with the aims of the Company?

17. What is meant by underwriting an issue of shares?

18. What does "Limited by Guarantee" mean? Explain Issued Capital, Subscribed Capital, Paid-up Capital. What are Founders' shares? Do you consider them objectionable, or the reverse?

19. What provision is made for the extinction of the National Debt?

20. What are Trustee Stocks?

21. Distinguish between fixed and circulating capital.

22. Explain the differences between a private and a public company.

23. Explain the meaning of Table A, minimum subscription, flotation expenses.

24. Distinguish between a share certificate and a share warrant.

Form of Application for Shares.

GRANT, WOOD AND COMPANY, LIMITED.

Incorporated under the Companies Act, 1929.

NOTE.—This form must be sent direct to the Company's Bankers, The London & Eastern Bank, Ltd., 894 Lothbury, London, E.C., with a remittance for the deposit of 1s. per share on the shares applied for. Cheques should be made payable to The London & Eastern Bank Ltd., *or Bearer*, and crossed.

To THE DIRECTORS OF GRANT, WOOD AND COMPANY, LIMITED.

Gentlemen,

Having paid to your Bankers, The London and Eastern Bank, Limited, the sum of £55——, being a deposit of one shilling per share on the number of shares applied for by me hereunder, I hereby apply for ——1100—— Shares of one pound each upon the terms of a prospectus issued by you and dated the 3rd day of January, 1931, and I hereby undertake to accept such shares or any less number which you may allot to me and to pay all further sums due thereon, and to be bound by the regulations of the Company, and I authorise you to place my name upon the register of members.

Signature of applicant—H. NORMAN.

Full name of applicant—HENRY NORMAN.
Address—1754 Cannon Street, London, E.C.
Occupation—Chartered Accountant.

Date—January 7, 1931.

------------------------------ (*Perforation*) ------------------------------

GRANT, WOOD AND COMPANY, LIMITED.

Banker's Receipt for Deposit upon Application for Shares.

(To be detached and returned to applicant.)

Received this 7th day of January, 1931, of *H. Norman*, the sum of *Fifty-five pounds* being 1s. per share upon 1100 shares applied for in the above Company.

For THE LONDON & EASTERN BANK. LTD.

CHARLES STAMP HILL.
Cashier.

£55 : 0 : 0

Letter of Allotment.

GRANT, WOOD AND COMPANY, LIMITED.

Incorporated under the Companies Act, 1929.

484 CORNHILL, LONDON, E.C.
January 8, 1931.

Allotment No. 39.

6d. stamp

DEAR SIR, (*or* MADAM),

I am instructed by the Directors of Grant, Wood and Company, Limited, to inform you that in response to your application they have allotted you —— 1000 —— Shares in the capital of the Company.

The total amount due upon application and allotment on 1000 Shares allotted you is	£500	0	0
You have already paid on application for 1100 Shares	55	0	0
Leaving a balance due from you of	£445	0	0

which kindly pay to the Company's Bankers, The London & Eastern Bank, Ltd., 894 Lothbury, E.C., forthwith.

Due notice will be given when the Share Certificates are ready for issue and they will then only be delivered in exchange for this letter, accompanied by the receipts for deposit paid upon application, and for the call due on February 1, 1931.

I am, Dear Sir (*or* Madam),
Yours faithfully,
ROBERT WOOD,
Secretary.

To HENRY NORMAN, Esq.,
1754 Cannon Street, E.C.

Banker's Receipt for Allotment Money.

Received this tenth day of January, 1931, the sum of *Four hundred and forty-five pounds*, due in respect of the above allotment.

For THE LONDON & EASTERN BANK, LTD.

CHARLES STAMP HILL,
Cashier.

£445 : 0 : 0

..................................(*Perforation*)..................................

(*This slip to be detached by Bankers and detained by them.*)

GRANT, WOOD AND CO., LTD.

Allotment No. 39.
Amount Payable, £445.

NOTE.—This form must be sent direct to the Company's Bankers, The London & Eastern Bank Ltd., 894 Lothbury, London, E.C., accompanied by a remittance for the amount due on allotment. Cheques should be made payable to The London & Eastern Bank, Ltd., *or* Bearer, and crossed.

Letter of Regret.

GRANT, WOOD AND COMPANY LIMITED.
484 CORNHILL, LONDON, E.C.
January 8, 1931.

1. *Enclosure.*

To RICHARD COE, Esq., Redhill, Surrey.

Sir,

I regret to inform you that the Directors are unable to allot you any of the Shares of this Company in compliance with your application for £100 shares of the Company.

I enclose herewith a cheque for £5, being the amount paid by you on the above-mentioned application, and shall be obliged if you will sign the Form of Receipt at the foot of the cheque sent herewith, and present the same for payment through your Bankers.

I am, Sir,
Yours faithfully,
ROBERT WOOD,
Secretary.

No. 3831. LONDON, *January* 8, 1931.

To THE LONDON & EASTERN BANK, LTD.,
894 Lothbury, E.C.

Pay to *Richard Coe, Esq.*, or order, the Receipt below being signed, the sum of *Five pounds.*

For GRANT, WOOD AND COMPANY, LTD.
JAMES BUCHET, *Director.*
ROBERT WOOD, *Secretary.*

£5 : 0 : 0

Receipt.

Received of Messrs. Grant, Wood & Co., Ltd., the sum of *Five* pounds, being the amount deposited by me on application for *one hundred* Shares in the same.

RICHARD | Receipt Stamp | COE.

£5 : 0 : 0

Call Notice.

GRANT, WOOD AND COMPANY, LIMITED.

No. 39.

Notice of First Call of 10s. per share, Ordinary Shares (making 20s. per share called up).

---

484 CORNHILL, LONDON, E.C.
January 25, 1931.

DEAR SIR (*or* MADAM),

I beg to give you notice that a First Call of 10*s*. per Share has this day been made by the Board in accordance with the terms of the Prospectus. On the 1000 Shares held by you in this Company the call amounts to £500. This amount should be remitted to the Company's Bankers (The London & Eastern Bank, Ltd., 894 Lothbury, E.C.) on or before February 1 next.

I am, Dear Sir (*or* Madam),
Yours faithfully,
ROBERT WOOD,
Secretary.

To HENRY NORMAN, ESQ.,
1754 Cannon Street, E.C.

(This half to be retained by the Bankers.)

.... (*Perforation*) ....

GRANT, WOOD AND COMPANY, LIMITED.

No. 39.

Banker's receipt for First Call of 10s. per share on Ordinary Shares, payable February 1, 1931 (making 20s. per share called up).

Received the 1*st day of February*, 1931, from HENRY NORMAN, Esq., the sum of £500 : 0 : 0, being First Call of 10*s*. per Share due February 1, 1924, on 1000 Shares in the above Company.

For THE LONDON & EASTERN BANK, LTD.,

JAMES | Receipt Stamp | **POUND,**
Cashier.

£500 : 0 : 0

(This half, when receipted by the Bankers, must be preserved by the Shareholder to be exchanged in due course for the Share Certificate.)

NOTE.—This form must be sent direct to the Company's Bankers, The London & Eastern Bank, Ltd., 894 Lothbury, London, E.C., accompanied by a remittance for the amount due. Cheques should be made payable to The London & Eastern Bank, Ltd., *or Bearer*, and crossed.

Graft, Wood & Co., Ltd

SHARE REGISTER

Name of Member: Henry Norman. *Occupation:* Chartered Accountant. *Date of commencing to be a Member:* January 8, 1931.
Address: 1754 Cannon Street, London, E.C. *Date of ceasing to be a Member:* April 16, 1931.

Shares Disposed of.									Shares Acquired.										Balance.			
Date.	No. of Transfer Deed.	Folio in Transfer Register.	No. of Shares	Distinctive Numbers of Shares.		Amount of Capital paid up.			Date.	No. of Allotment or Transfer.	No. of Shares	Distinctive Numbers of Shares.		Details.	Folio.	Amount of Capital paid up.			Balance.			
				From	To	£	s.	d.				From	To			£	s.	d.	Shares	Capital paid up. £	s.	d.
									1931 Jan. 6					Cash, Application Money ..	C.B. 94	55	0	0		55	0	0
									,, 8	Allotment 39	1,000	34001	35000	Allotted...	A.B. 17				1,000	55	0	0
									,, 10					Cash, Allotment Money..	C.B. 109	445	0	0	1,000	500	0	0
									Feb. 1					Cash, First Call....	C.B. 171	500	0	0	1,000	1,000	0	0
									Mar. 6	Transfer 121	2,000	72096	74095	Transferred	T.R. 5	2,000	0	0	3,000	3,000	0	0
1931 Apr. 10	207	10	1,500	34001 72096	35000 72595	1,500	0	0														
,, 16	212	11	1,500	72596	74095	1,500	0	0											1,500	1,500	0	0
			3,000		£	3,000	0	0			3,000				£	3,000	0	0				

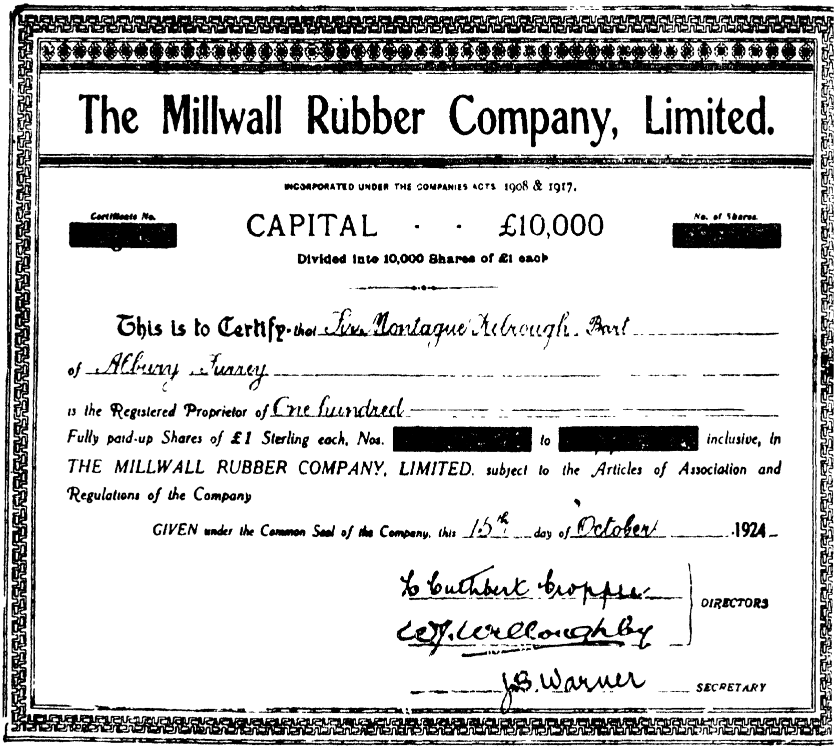
It is to be noted that each transaction in the above form affects the balance either of capital paid up or shares, and that the balance column requires to be entered up after each transaction.

The particulars at the head of the account are required for the annual list of members and in order to comply with the requirements of the Companies Act, 1929

GRANT, WOOD & CO., LTD.

TRANSFER REGISTER

Number of Transfer.	Date Transfer Lodged.	Date of Transfer Deed.	TRANSFEROR'S			Transferee's Folio in Share Register.	SHARES TRANSFERRED.							TRANSFEREE'S			Transferee's Folio in Share Register.	Number of New Certificate.
			Name.	Address.	Occupation		Number.	Amount per Share paid.	Capital paid up.			Distinctive Numbers.		Name.	Address.	Occupation		
									£	s.	d.	From	To					
121	1931 Mar. 6	1931 Mar. 5	*Jones*, Owen	Llantrysant	Farmer	69	2000	£1	2,000	0	0	72096	74095	*Norman*, Henry	1754 Cannon St., E.C.	Chartered Accountant	172	1046
67	April 9	April 8	*Norman*, Henry	1754 Cannon St., E.C.	Chartered Accountant	172	1500	£1	1,500	0	0	34001 72096	35000 72595	*Higgins*, Abel	Aberystwith	Saddler	428	1362
12	April 15	April 8	*Norman*, Henry	1754 Cannon St., E.C.	Chartered Accountant	172	1500	£1	1,500	0	0	72596	74095	*Morris*, John James	Westmeath, Sleaford	Esquire	461	1382
														(*Signed*)	ISIDORE	GRANT, *Chairman*.		



The Millwall Rubber Company, Limited.

INCORPORATED UNDER THE COMPANIES ACTS 1908 & 1917.

Certificate No. [redacted]

CAPITAL · · £10,000

No. of Shares [redacted]

Divided into 10,000 Shares of £1 each

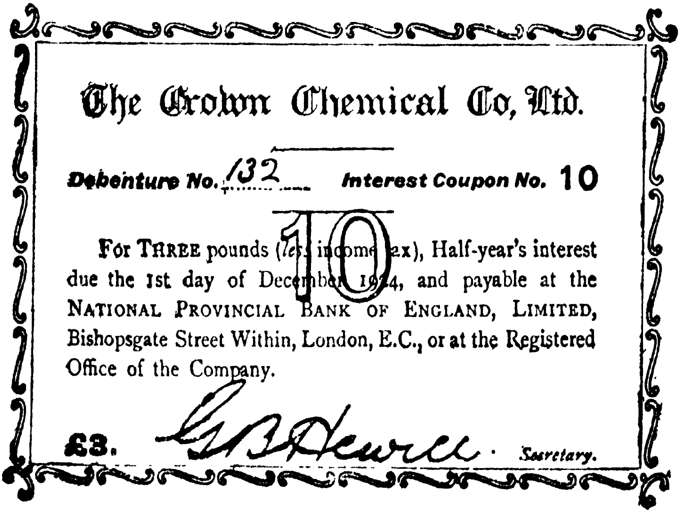
This is to Certify that Sir Montague Fitzbrough Bart of Albury Surrey is the Registered Proprietor of One hundred Fully paid-up Shares of £1 Sterling each, Nos. [redacted] to [redacted] inclusive, in THE MILLWALL RUBBER COMPANY, LIMITED, subject to the Articles of Association and Regulations of the Company

GIVEN under the Common Seal of the Company, this 15th day of October 1924.

G. Cuthbert Cropper
C. W. J. Willoughby
DIRECTORS

J. B. Warner SECRETARY

NOTE.—No Transfer of any of the Shares comprised in this Certificate will be registered until the Certificate has been deposited at the Company's Office.



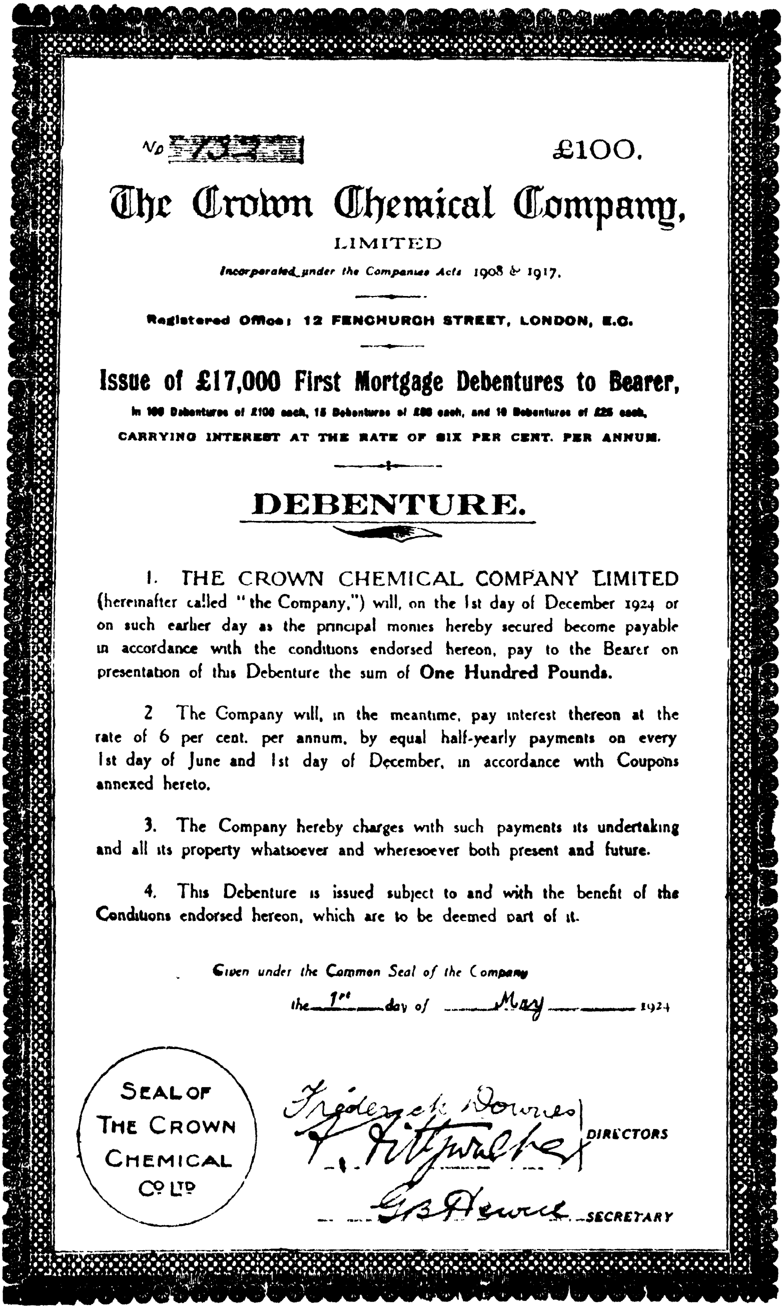
The Crown Chemical Co, Ltd.

Debenture No. 132 Interest Coupon No. 10

10

For Three pounds (less income tax), Half-year's interest due the 1st day of December 1924, and payable at the National Provincial Bank of England, Limited, Bishopsgate Street Within, London, E.C., or at the Registered Office of the Company.

£3. G. B. Hewell Secretary.



No 732 £100.

The Crown Chemical Company,

LIMITED

Incorporated under the Companies Acts 1908 & 1917.

Registered Office: 12 FENCHURCH STREET, LONDON, E.C.

Issue of £17,000 First Mortgage Debentures to Bearer,

In 160 Debentures of £100 each, 15 Debentures of £50 each, and 10 Debentures of £25 each,

CARRYING INTEREST AT THE RATE OF SIX PER CENT. PER ANNUM.

DEBENTURE.

1. THE CROWN CHEMICAL COMPANY LIMITED (hereinafter called "the Company,") will, on the 1st day of December 1924 or on such earlier day as the principal monies hereby secured become payable in accordance with the conditions endorsed hereon, pay to the Bearer on presentation of this Debenture the sum of **One Hundred Pounds.**

2. The Company will, in the meantime, pay interest thereon at the rate of 6 per cent. per annum, by equal half-yearly payments on every 1st day of June and 1st day of December, in accordance with Coupons annexed hereto.

3. The Company hereby charges with such payments its undertaking and all its property whatsoever and wheresoever both present and future.

4. This Debenture is issued subject to and with the benefit of the Conditions endorsed hereon, which are to be deemed part of it.

Given under the Common Seal of the Company

the 1st *day of* May 1924

Frederick Downes } *DIRECTORS*

SECRETARY

SHARE TRANSFER.

Impressed Stamp £10.

I, Owen Jones, of Llantrysant, Farmer, in consideration of the sum of [see Note at Foot.] *Two thousand pounds* paid by *Henry Norman, of* 1754 *Cannon Street, E.C., in the City of London, Chartered Accountant,* hereinafter called the said Transferee,

Do hereby bargain, sell, assign and transfer to the said Transferee:—*Two thousand* (2000) *fully paid shares of one pound each, numbered* 72096 *to* 74095 *inclusive,* of and in the undertaking called *Grant, Wood and Company, Limited.*

TO HOLD unto the said Transferee, *his* Executors, Administrators and Assigns, subject to the several conditions on which *I* held the same immediately before the execution hereof; and *I* the said Transferee do hereby agree to accept and take the said *Shares* subject to the conditions aforesaid.

AS WITNESS our Hands and Seals, this *fifth* day of *March,* in the Year of our Lord One thousand nine hundred and *twenty-four.*

Certificate of the within mentioned 2,000 *Shares* **has been lodged at the Company's Office,**
ROBERT WOOD,
Secretary.

Signed, sealed, and delivered, by the **above** named *Owen Jones,* in the presence of
Witness's
Signature,* *Michael Macgillicuddy.*
Address, *Llantrysant, Wales.*
Occupation, *Farm Bailiff.*
OWEN JONES.
SEAL

Signed, sealed, and delivered, by the above named *Henry Norman,* in the presence of
Witness's
Signature.* *N. Howell.*
Address, 1754 *Cannon Street, London, E.C.*
Occupation, *Audit Clerk.*
H. NORMAN.
SEAL

Signed, sealed, and delivered, by the above named..............in the presence of
Witness's
Signature* ....
Address ....
Occupation ....
....
SEAL

Signed, sealed, and delivered, by the above named ....in the presence of
Witness's
Signature* ....
Address ....
Occupation ....
....
SEAL

NOTE.—The Consideration-money set forth in a transfer may differ from that which the first Seller will receive, owing to subsales by the original Buyer; the Stamp Act requires that in such cases the Consideration-money paid by the Sub-purchaser shall be the one inserted in the Deed, as regulating the *ad valorem* Duty; the following is the *Clause* in question:—

"Where a Person having contracted for the purchase of any property, but not having obtained a Conveyance thereof, contracts to sell the same to any other Person, and the Property is, in consequence, conveyed immediately to the Sub-purchaser, the Conveyance is to be charged with *ad valorem* Duty in respect of the Consideration moving from the Sub-purchaser"—[54 & 55 Vic., cap. 39 (1891), section 58, sub-section 4].

INSTRUCTIONS FOR EXECUTING TRANSFERS

* *When a transfer is executed out of Great Britain, it is recommended that the Signatures be attested by H.M. Consul or Vice-Consul, a Clergyman, Magistrate, Notary Public, or by some other person holding a public position—as most Companies refuse to recognise Signatures not so attested. When a witness is a Female she must state whether she is a Spinster, Wife, or Widow; and if a Wife she must give her Husband's Name, Address, and Quality, Profession, or Occupation. The Date must be inserted in Words and not in Figures.*

TEST PAPER XXX

1. Explain Lloyd's Bonds; Scrip Certificates; Convertible Stock; Gold, Sterling and Currency Bonds. Why should investments be restricted to Gold and Sterling Bonds?

2. Explain the difference between Loan Capital and Share Capital.

3. What do you understand by Terms of Issue? Explain the various terms of issue of Shares and Debentures.

4. What is the procedure relative to Forfeited Shares?

5. For what purpose are the following documents used: Letter of Application; Letter of Allotment; Letter of Regret; Call Notice?

6. Give the scale for stamping Securities for Revenue purposes. Explain what is meant by "Amount Secured."

7. Give an illustration of a Terminable Annuity.

8. How is the dividend or interest on Shares and Inscribed Stocks paid?

9. Give the three main classes into which Securities are divided. Why should a Company appealing to the public for Capital sometimes offer a choice of different classes of shares?

10. Sometimes the words "dividend or "interest" are used. Why the alternative?

11. Explain the various ways in which a Joint Stock Company may be formed.

12. What are the advantages attaching to "limited liability"?

13. Differentiate between a Private and a Public Company.

14. Define "Authorised Capital"; "Nominal Capital"; "Registered Capital"; "Issued Capital"; "Unissued Capital"; "Subscribed Capital"; "Called-Up Capital"; "Uncalled Capital"; "Paid-Up Capital"; "Working" or "Circulating Capital."

15. Discriminate between Floating or Circulating Assets and Fixed Assets.

16. Give two examples of "Watered Capital."

17. What is the object and what the nature of a Company Prospectus?

18. What are "Interim Dividends" and "Flotation Expenses?"

19. Explain "Deferred Ordinary" and "Preferred Ordinary."

20. Mention two meanings attaching to the expression "Guaranteed Stock."

21. Mention any advantage attaching to Stock and not to Shares, or that is derived from the possession of Debenture Stock instead of Debenture Bonds.

22. How are premiums received from an issue of Shares or Debentures treated? How also is the discount allowed on an issue of Debentures treated?

23. What is "Omnium Scrip" and what is a "Talon"? Under what circumstances does a buyer of securities obtain a Stock Receipt and what is its value?

24. What is the difference between Insolvency and Bankruptcy? What is an Act of Bankruptcy? Give a list of such Acts.

25. What do you know about "Table A."?

CHAPTER XXI

THE STOCK EXCHANGE

THE London Stock Exchange (many large provincial cities also possess Stock Exchanges) is a centralised market for the purchase and sale of securities, or, to be exact, it is a collection of markets, for the different stocks and shares dealt in are so numerous that the Jobbers, or Dealers, although they possess a fair knowledge of all classes of investments, specialise in some definite class, and Jobbers dealing in the same class congregate in a particular spot on the floor of the House. Thus there are, for example: the Consol Market, the Kaffir Market (for South African Shares), the Westralian or Kangaroo Market (for Australian shares), the Home Railway Market, the Rubber Market, the Oil Market, the Foreign Market, the Foreign Railway Market, etc. The Stock Exchange Building (with the site) is owned by a limited company, of which the members of the Stock Exchange are shareholders, and the control of the Company devolves upon the Managers (comparable to the directors of other companies) elected by the shareholders. Members must hold at least three shares, except in the case of a member who was previously a House Clerk, when a holding of one share is sufficient. Membership of the Stock Exchange, or " House " as it is called, is secured by election and the payment of heavy fees, great care being exercised that only men of untarnished financial reputation and considerable means should be elected. The conduct of the business of the House is regulated by a Committee of thirty members, called the *Stock Exchange Committee*, drawn from and annually elected by the members. It has been mentioned in another part of this book that members of the Stock Exchange are precluded from going to law to settle disputes among themselves. All contentious matters must be submitted to the Committee, and their decision is final and binding. All members who desire to remain such are annually re-elected. Members of the Stock Exchange are not allowed to advertise.

Members of the House. The members of the House consist of (1) Brokers; (2) Jobbers or Dealers; (3) Authorised Clerks; (4) Unauthorised Clerks. *The Jobbers* are members who buy from, or sell to, the public, through the medium of the Brokers, the stocks and shares which form the commodities of their particular market. *The Brokers* are members who, acting as agents for the public, buy from or sell to the Jobbers these stocks and shares. The Jobber is therefore a principal, akin to the wholesale merchant, while the Broker is an agent. Hence the Jobber is remunerated for his work by a *profit, i.e.* the difference between his buying and selling prices; but the Broker by a *commission*, charged to his clients, the public. A broker may, of course, buy and sell stocks and shares for himself, but, as a rule of law. he may not act as principal and agent in the same transaction. *Authorised Clerks* are clerks who have authority to buy and sell for their principals. *Unauthorised Clerks* are those who are privileged to enter the House, but have no authority to make bargains for their principals. Both Authorised and Unauthorised Clerks may, or may not, be members of the House.

How the Jobber Makes his Profit. The Jobber will not always possess a supply of the stock or shares he agrees to sell, nor does he generally intend to retain the stock or shares he buys. If he sells he buys again, if he buys he sells again, and endeavours to make his purchases and sales balance one another, or as it is termed " even up his book." His skilled and intimate knowledge, and the seizure of the fitting moment, enable him to so fix his selling price that he can buy again at a lower rate, and to fix his buying price that he can sell again at a higher rate. When the Jobber is asked by a Broker to *make a price* for a particular stock he quotes two prices, *e.g.* he might quote Consols, 57¾–⅞—the first, *i.e.* the lower, is his buying, the second, *i.e.* the higher, is his selling price. The difference is called *the turn*, or the *turn of the market*, and represents the Jobber's profit. When a Jobber makes a price he is bound either to buy or sell—and when no amount of stock, etc., is mentioned he must deal up to £1000 of stock or bonds, or in the case of shares up to 100 if of the nominal value of £1 or under, 50 if of any value from £1 to £15, and 10 if exceeding £15 in nominal value.

Prices are constantly varying, almost from moment to moment at times, hence there is need for specialisation and constant alertness. What then becomes of the stocks and shares which form the basis of all this buying and selling? They either pass into the possession of a speculator or the general public, the intention being that ultimately the general public shall become the holders.

The Check on Prices. This dual arrangement of a Broker possessing a general knowledge of stocks and shares, buying on behalf of a client from a Jobber, who is not allowed to have dealings except with Jobbers or Brokers, acts as a wholesome check upon Stock Exchange prices, and prevents the Jobber making an exorbitant price, especially when, as is generally the case, he is brought into sharp competition with other Jobbers anxious to do business. The position is further strengthened by the rules of the Stock Exchange which prohibit partnership between Brokers and Jobbers, and also between members and non-members, and permit no partnership between Jobbers or between Brokers, unless the Committee of the House has approved the partnership, and a notice of it has been posted up so that the fact is known to all the members.

Market Prices. The varying prices at which sales and purchases of stocks and shares are made are termed the market prices. These prices are published daily in the Stock Exchange List.

The Method of Business. Suppose that James Brown, a person of substance, desires to buy £300 4 % Funding Loan, and instructs his Broker, Wm. Watson, to purchase that amount. Watson proceeds to the House to the particular market where this stock is dealt in, and applies to a Jobber, F. Green, to " make him a price." Green does not know whether Watson is a buyer or seller, for such knowledge would enable him to quote high prices if Watson were a buyer, and low prices if Watson were a seller. Green accordingly quotes two prices, say 90-91. The first price, £90 (for £100 stock) is the price at which Green is prepared to buy, and the second, £91, the price at which he is prepared to sell. Watson, however, may perhaps think that the quotation is too " wide," *i.e.* there is too big a margin between Green's buying and selling price, and ask Green to revise his price. Green then perhaps quotes £90⅜-90⅝, which Watson accepts. Thereupon both Green and Watson enter the transaction in their jobbing books Green as seller, and Watson as buyer. The same day Watson posts to his principal, Brown, a *Contract Note* (*see* example on p. 471).

On the following day Green's clerk and Watson's clerk meet to check off the transaction which they have copied from their principals' jobbing books. Green having sold £300 4 % Funding Loan that he does not possess must now buy it. The market is possibly favourable to buyers, so he goes to another Jobber, J.

Smith, and inquires at what price Smith will sell him £300 4 % Funding Loan. There is no need for secrecy, as both jobbers are acting for themselves. Assume that the price quoted is £90½, and that Green buys it at that price. Both Green and Smith enter the transaction in their jobbing books as before, and so far as Green is concerned, the sale to Watson (the Broker) and the purchase from Smith cancel one another, and leave him (Green) entitled to the difference in price between £300 Funding Loan at 90⅝ and £300 at 90½ per cent.=7*s.* 6*d.* Smith must now buy in £300 Funding Loan. He is asked by another Broker, F. Williams, on behalf of his client, R. Allpress, to make a price for Funding Loan and Smith quotes 90¼–90⅜, which Williams accepts, selling £300 at 90¼. This time there is a sale by a Broker on behalf of his principal. The transactions are duly recorded, and Williams sends Allpress a contract sold note for £300 Funding Loan at 90¼, just as Watson sent his principal Brown a contract bought note; The position is now as follows :

CONTRACT NOTE

William Watson, London April 3, 19..

Bought for JAMES BROWN, Esq.

£300 4 % Funding Loan @ 90⅝	£271 17 6
Brokerage ¼ % and Stamp .	16 0
	£272 13 6

For Cash.

STAMP
Wm. Watson
Member of the
Stock Exchange
London.

Buyer.	*Jobbers.*		*Seller.*
J. Brown £300 Funding Loan @ 90⅝ *Broker* **Wm. Watson**	F. Green Seller of £300 Funding Loan @ 90⅝ to Wm. Watson Buyer of £300 Funding Loan from J. Smith @ 90½ gaining a profit of ⅛ %	J. Smith Seller of £300 Funding Loan @ 90½ to F. Green Buyer of £300 Funding Loan from F. Williams @ 90¼ gaining a profit of ¼ %	A. Allpress £300 Funding Loan @ 90¼ *Broker* **F. Williams**

Watson having obtained from the Bank of England (who manage this stock) a *Transfer Ticket,* fills in that part of it relating to himself and his principal Brown, and then hands it to Green the Jobber from whom he bought. Green endorses the ticket and hands it to Smith Smith also endorses it and passes it on to Williams. This ticket, which is priced at 90⅝, the final buyer's price, is entered through the various accounts as a contra item to the bargain, and the differences arising thereby are settled between the jobbers and brokers concerned. The ultimate result of this is that the jobbers will receive on balance their profit, or market turn, while the ultimate buyer and seller settle direct with each other for the stock. Williams then fills in the particulars relating to himself and his principal Allpress. The ticket is then lodged with the Bank, who make the necessary entries in the books. Meanwhile Williams makes out a Stock Receipt on a form also obtained from the Bank, and as soon as he receives word later in the day from the Bank that the clerical work is completed, he attends with his principal Allpress, who there signs the Stock Receipt, his signature being witnessed by one of the Bank's clerks.

The books of the Bank contain a duplicate of this Stock Receipt which Allpress signs also. The Stock Receipt is then handed to the selling broker, Williams who pays his client Allpress the proceeds of sale. Williams then passes the Stock Receipt to Watson, who similarly hands it to his client Brown against the receipt from the latter of the amount stated in the Contract Note. As already explained, the Stock Receipt possesses no negotiable value, it is merely a record that the stock has been so inscribed in the Bank's books. The buyer may, if he choose, attend at the Bank, and accept the stock into his name.

Not all Inscribed Securities are managed by the Bank of England, and each bank managing Inscribed issues has its own special form of ticket, but each ticket, as also the procedure followed, is very much the same as that described in the paragraph above.

If the security dealt in had been Registered Shares or Stock instead of Funding Loan 4%, which is inscribed at the Bank of England, Watson, the buying broker, would have passed an ordinary Stock Exchange ticket which sets forth: (1) particulars of the Shares or Stock dealt in; (2) name and address of the person for whom he bought (hence *name* day)—prior to the presentation of this ticket the jobbers have no knowledge of the actual buyer or seller of the Shares or Stock; (3) the consideration for the purchase; (4) the value of the stamp; (5) the name of the jobber, Green, from whom he bought the Shares or Stock; (6) the date. Green would then endorse the ticket and pass it to Smith, the jobber from whom he bought. Smith, in turn, would endorse the ticket and pass it on to Williams, the broker from whom he bought. Williams would also endorse the ticket. Williams would then know that the Shares or Stock were to be transferred from his principal, Allpress, to Watson's principal, Brown. This ticket is passed through the various accounts in the way described above, and the resulting differences settled between the jobbers and the brokers. Sometimes a ticket may pass through a dozen or more hands before it reaches a broker or dealer who is delivering the stock. In the case of Stock and Shares other than Bank of England and Inscribed stocks, bargains are done for the account (*see* page 476) and names are passed on Ticket Day.

Transfer by Attorney. The mode of transfer above described is followed where the transfer is effected by the seller in person, but the transfer may also be made through an attorney or agent (usually the seller's broker). In such case the applicant procures a form of application for a Power of Attorney, and fills in the necessary particulars, viz., name of seller, address present and past, his own name and address, and a description of the stock sold. The form duly filled up is then lodged at the Power of Attorney Office in the bank, and from there passed on to the Transfer Office, and checked off with the stock books. If all is in order the Bank fills up a Power of Attorney, and then sends a circular to the stockholder informing him that a Power of Attorney has been applied for. If the stockholder makes no objection, or the advice is not returned to the Bank, the Bank issues the Power of Attorney to the applicant, who then obtains the seller's signature to it, and returns it to the Executed Powers Office at the Bank. The seller's signature is then compared with any previous signatures of his in the Bank's books. If the signature is in order the Power of Attorney goes to the Transfer Office, and when the ticket made out by the broker arrives, both the Power and the ticket are compared together and with the books If they agree the ticket is entered in the transfer books, and a copy made out as before. The attorney must fill up a form on the back of the Power, which is a demand to act upon the Power, and on this being done he can complete the transfer in the Bank's books. A Power of Attorney of this kind is stamped with a 10/- stamp, and the Bank charges an additional fee of 1/6. But for Government Stock not exceeding a nominal value of £100 the total charge is 4/-. All other banks charge only the stamp fees.

Transfer of Bearer Securities. The foregoing illustrations have reference to inscribed stock. If, however, the dealings had been in securities expressed to *bearer* the transfer would have been effected simply by handing the securities to the buyer against cash.

Transfer of Registered Securities. Where the securities dealt in are registered and transferable by deed of transfer the method is as follows : The selling broker prepares a deed of transfer, obtaining the details from his client's certificate, and the ticket he received from his dealer, gets his principal to sign it before witnesses and hands it with the stock or share certificate to the buying broker. The buying broker obtains his principal's witnessed signature to the transfer deed, and then on receipt of cash deposits both deed and certificate with the company whose stock or shares have been dealt in. The company's officials then cancel the certificate and issue a fresh one in the name of the buyer, making the necessary adjusting entries in their share and transfer registers. This is the procedure where the ultimate seller sells the exact number of shares or amount of stock he holds. But suppose he held a certificate for more than he had sold. He would then hand his certificate for the full amount of his holding to his Broker, who would either (*a*) deposit his certificate with the company and get them to certify the transfer (this certification is shown on the left-hand side of the specimen on p. 466) or, if the securities are quoted on the Stock Exchange List, leave his certificate with the Secretary of the Share and Loan Department of the Stock Exchange, who will forward it to the company concerned, and certify on the transfer that this has been done. It should be noted that the Stock and Loan Department will only undertake the certification of stock. It will not certify shares. The company's officials would then cancel the original certificate and issue two fresh ones in its place, one for twenty-five shares to the seller, and one for twenty-five shares to the buyer. In the case of securities transferable by deed the seller is allowed ten days to complete his transfer and effect delivery of the stock or shares sold.

Split Tickets. Where a dealer has sold, say, 250 shares of a particular registered security, and bought them in two lots of 125, he will receive a ticket for the 250, but cannot, of course, pass it on as it stands. He accordingly splits the ticket, *i.e.* issues two tickets each for 125, and retains the original. The splitter of a ticket marks on the splits the number of the original ticket, the name of the issuer, and his own name as the splitter of the ticket. Tickets for bearer securities can only be split in the Clearing House of the Stock Exchange.

The Stock Exchange Clearing House. The ticket system has now been largely superseded by the Stock Exchange Clearing House, conducted on much the same lines as the Bankers' and Railway Clearing Houses. Members send in lists to the Clearing House, giving their transactions, purchases on one side (names of sellers and quantity and description of securities bought), and sales on the other (names of buyers and quantity and description of securities sold). The clerks trace these dealings through the different lists, and then issue tickets to the members for the balance of the securities which they have to deliver. The Clearing House is only available for securities that are widely dealt in. For securities infrequently dealt in, and in cases where members are not also members of the Clearing House, the ticket system is followed. Differences are paid by cheque on clearing bankers.

The Stock Exchange List. The list is published twice daily by the authority of the Committee. It is the official record of the different classes of securities. Before a company or institution issuing stock or shares can obtain a quotation in this list certain conditions and regulations must be complied with, these conditions and regulations being framed with a view to protect the public from the machinations of the unprincipled company promoter. It is not, however, to be supposed that the inclusion of any particular stock or shares in the list is a guarantee that the Committee regard that particular stock or shares as suitable for investment by the general public. The Stock Exchange is an instrument for securing facility for and honourable conduct of bargains, and is not in any sense a court of judgment upon credit. The List is of immense value to the investor, who is enabled to compare the price at which he recently bought or sold stock or shares with the prices quoted in the List, and so satisfy himself that he obtained the current market value or, if about to sell or buy, to discover what price he is likely to get or will be required to pay. The column headed " Interest due " gives the date when the interest on any particular security is due. The column headed " x.d." or " x. in." (*see* p. 484) shows whether the interest or dividend accrued on any particular stock or share is or is not included in the price. The column headed " Quotations," while it offers a trustworthy indication as to the actual value of any particular stock or share, does not give the statements of responsible officials of the House, but a fair estimate of the prices ruling at the close of the day (hence called " Closing " quotations) given by dealers to the publishers of the List.

Where the transactions in any particular security are numerous, the quotations are more reliable than in the case of a security that does not very often change hands. This greater reliability is indicated by a *close* quotation (*i.e.* a quotation in which there is only a small margin between the jobber's buying and selling prices, *e.g.* $90\frac{1}{16}$–$90\frac{1}{8}$) in those securities which are continually changing hands, and a *wide* quotation in those for which there is no great demand.

The column headed " Business Done " is a record of the prices at which dealings have actually occurred, and possesses official authority. A broker or jobber, when concluding a deal, may require it to be *marked*, *i.e.* recorded upon a board kept in the House for that purpose. This marked price will appear in the Official List of Business done. Not every deal is so marked. It would obviously be impossible to record every one of the vast number of transactions, but sufficient deals are recorded to give this column real value as a guide to the ordinary investor.

Deals for Cash or the Account. Stock bought or sold may be delivered immediately for cash ; but, most frequently, dealings are effected for the account. An account runs for the period intervening between one settlement and the following settlement, and must not be confounded with the *settlement*. The Account is the period during which transactions take place. The Settlement is the three days during which these transactions are adjusted. The prices quoted for Stocks and Shares are invariably prices for the Account, and are naturally somewhat higher than would be quoted for spot cash. *The Settlement* occurs twice a month about the middle and the end, known respectively as the *mid-monthly* and the *end-monthly* settlement, but the settlement in Consols, India and Corporation Stocks is now for cash. The settlement occupies three days, or rather four, as the day preceding the *general* contango is, owing to the great increase in mining enterprises, devoted to the *mining* contango, or carry over. The first day is called " *Contango* " or " *Making Up* " day, the second " *Ticket* " or " *Name* " day, and the third "*Settling*" or *Pay* day (in the Rules of the Stock Exchange, "*Account day*"). On contango day those who desire to postpone the settlement of bargains arrange to continue or " carry " them to the next account. Ticket or name day is, as already explained, the day when a ticket revealing the name of the purchasing broker's client is passed to the jobber from whom the stock or shares have been bought. The ticket is thus a demand for the delivery of the securities which have been bought or sold. Settling day, or account day, is the day when all differences must be paid, and all deals, not carried over, closed, either by payment or delivery of the securities. There are a number of rules governing the delivery and payment of securities—too complicated for enumeration here—a breach of which entitles the non-defaulting party to independent action against the party in default. A buyer who has not obtained delivery of securities in accordance with the rules may, through the *Buying-In Department*, buy in against the defaulting seller, and have him charged with any loss that may be incurred. Similarly, a seller who has not obtained a ticket in accordance with the rules, or whose buyer does not pay for the securities when tendered to him may, through the *Selling-Out Department*, sell out against the defaulting buyer, who must make good to the seller any loss he may sustain.

"Carrying-over," "Making-up Price," "Differences." A speculator, either a member of the House, or one of the public, may not consider it advantageous to close the bargain he has entered into, and so defers accepting the security he has bought (as also the necessity of paying for it), from the contango day subsequent to the day of his entering into the bargain until the next fortnightly settlement. He does this by continuing or carrying over his bargain. He may have purchased the security in the hope that it would rise in value, and enable him to dispose of it at a profit, but his hopes have not been realised ; or he may have sold stock (without actually possessing such stock) hoping that it would fall in value, and that he would then be able to buy in and deliver at the settlement at a lower price than what he sold it for, but that fall has not taken place. In connection with such transactions, an official of the House, on the first settlement or contango day, fixes a "making-up" price, which is the actual mid-day market price, except in the case of Government and a few other stocks, when it is the average price, as the price upon which these continuations or carryings over are to be based.

An Example The matter may be made clear by an example : A broker purchases stock at 95 for the account ending June 26, but he does not wish to take up his purchase on that day. On June 24 (contango day) A goes to B, the jobber from whom he bought and *sells* him the same amount of stock at the making-up price, which assume to be 94 (the stock having fallen), the stock to be delivered by A to B on June 26. At the same time A *buys* from B precisely the same amount of stock at 94 to be paid for by him at the next account, July 15. Thus by selling to B, A completes his first purchase from B, but seeing that he originally bought at 95 and now sells at 94 there is "a difference" of 1 per cent. upon the amount of stock, which difference he must pay to B on *June* 26. After paying this difference of 1 per cent. to B he is in the position of having bought from B the original amount of stock (but at 94—the making-up price—not 95), which he must pay for on July 15 (instead of June 26). A is the loser of 1 per cent. on the amount of stock originally purchased, but he has deferred real payment for the stock from June 26 to July 15. Obviously, too, A owes some monetary consideration to B for allowing him to enter into this new bargain. This will be discussed later.

If, instead of buying stock at 95 for the account June 26, A had sold stock, he could postpone the delivery of that stock by *buying* from B on June 24 the same amount of stock for delivery on June 26 at the making-up price—94. In this case A would *receive from* B the difference of 1 per cent., for he has bought stock from him at a lower price than what he originally sold it for. Then at the same time, A would sell to B the same amount of stock for delivery on the next account day—July 15. His first sale would be cancelled by his subsequent purchase, and his second sale would form the subject of a new bargain at 94 instead of 95.

If, however, the making-up price were 96, *i.e.* if the stock had risen 1 per cent., A would have to pay B the difference of 1 per cent. on his purchase, instead of receiving 1 per cent from B. It will be seen that, in the first instance, where A is a buyer, B virtually lends A the money to enable him to purchase the stock he has contracted to buy ; and in the second instance, when A is a seller, B virtually lends him the stock that he may be in a position to effect delivery of it. There is an alternative method of carrying over to that already described, viz. where the broker carries over, not through the medium of the jobber from whom he originally bought, or to whom he originally sold, but through a second jobber. The second jobber carries through the broker's obligation to the first jobber, and receives from or pays to the broker differences and the consideration money (contango or backwardation, *see* the next paragraph), and then has what the original jobber would have had if the carry over had been effected through him, viz. a contract with the broker for the new account to take or deliver the securities at the making-up price. A broker or jobber is not bound to carry over, but may insist on the deal being closed. Generally, when he does carry over in respect of purchased stock, he himself pays for the stock or shares on delivery, raising the required funds by depositing the stock, shares, or other securities with a bank. These borrowings form part of the " short loans " of commerce.

Contango and Backwardation. A consideration must be paid for the accommodation discussed in the preceding paragraphs. The buyer for the rise, instead of finding the money to pay for the stock he has bought, and accepting delivery of the stock, borrows from the jobber or broker, and must therefore pay a premium or interest of so much per cent., or per share (called *Contango*), upon the amount he has virtually borrowed ; while the seller for the fall, instead of finding the stock for delivery, pays a premium or interest called *Backwardation*, on the value of the stock, which in effect he borrows from the jobber. The amount of the contango, or of the backwardation, depends on : (1) the market rate of interest, which in turn hinges upon the current Bank Rate ; (2) the plentifulness or scarcity of the stock or shares in question ; (3) the soundness or riskiness of the security ; (4) the financial standing of the speculator. If the market rate for money be high, and the particular stock plentiful and therefore cheap, the contango will be high, because the jobber in that case would prefer to deliver the stock rather than carry it over ; but if the market rate be low and the particular stock scarce and therefore dear, the jobber, rather than deliver the stock, would not only be willing to carry it over, but actually pay backwardation instead of receiving contango.

The student will see that when loanable capital is scarce through briskness of general trade (requiring more capital to feed it and therefore forcing up the rate of interest), Stock Exchange speculation is restricted ; the converse is, of course, also true. It is not, therefore, to be assumed that briskness in speculative dealings on the Stock Exchange necessarily indicates a condition of general commercial prosperity.

Bulls and Bears. When a person buys securities, not with the intention of accepting delivery of them, but in the hope that they will rise in value so that he can sell them again at a profit, he is termed a " Bull." When, on the other hand, he sells shares that he does not possess in the hope that he will be able to buy them in at a lower price than that at which he sold them, and thus complete his contract, he is termed a " Bear." If at any particular settlement " Bull " operators are in the ascendant, and consequently there is a preponderant desire to postpone payment for shares, contango is payable. If " Bear " operations are the more numerous, and there is a prevailing desire to avoid delivery of securities, backwardation is payable; while should the opposing forces be fairly evenly matched, the "Bulls" pay contango and the "Bears" backwardation.

Stags. A *Stag* is a person who applies for a new issue of stock or shares, not with a view to investment, but because he judges that the issue will be largely over-subscribed, and that he will be able to reap a quick profit by selling, at a premium, the stock or shares allotted to him.

Margin is the value, either in money or securities, which is deposited by a speculator with a broker buying and selling for him, to protect the broker against possible loss through the speculator's default. The term is also used to express the excess in value of a security or securities deposited as cover for a loan, over the loan itself.

Tape Prices. The official Stock Exchange List contains the record of some of the prices at which bargains have been completed. Brokers also issue lists of their own to clients. A third method—fuller and more expeditious—of imparting information as to prices is by means of the tape machine of the Exchange Telegraph Company. As each transaction is effected in the House the particulars are transmitted by the Telegraph Company to the offices of their subscribers, and appear on outwinding slips of paper tape.

Street Prices and Street Transactions. These phrases are frequently met with. They refer to dealings in stocks and shares arranged in Throgmorton Street (into which the main entrance of the Stock Exchange opens) after the hour when the Stock Exchange itself is closed. In times of brisk speculation street transactions assume large proportions.

Boom. This word indicates a brisk state of the investment market when transactions are numerous and prices rising. The opposite state, accompanied by a heavy fall in prices, is called a *Slump*.

Middle Price. The middle price of a security is the value midway between the buying and selling prices, *e.g.* if the quotation be 67–69, the middle price is 68.

Syndicate. A syndicate is a body of speculators who make large purchases or sales of stocks and shares in combination so as to influence the market prices, either in the direction of a rise or fall as an inducement to the public to buy or sell, whichever operation will bring to the syndicate its profit. Simultaneously with these fictitious dealings rumours extolling or depreciating the stocks in question are industriously circulated by the syndicate or its agents. The result of these manœuvres often is that an unscrupulous syndicate, through a sudden inflation of prices, is enabled to unload upon the public a large quantity of worthless shares, and in the other case to buy at abnormally low quotations a large quantity of promising securities, which the syndicate can dispose of at a much enhanced figure when prices have again reached the normal level. These fictitious dealings, artful rumours, etc., constitute the process termed *rigging*, and sometimes this rigging results in "a corner," *i.e.* the syndicate practically secures control of or "corners" the whole of a particular stock, and then, owing to the presence of a large bear account, is able to dispose of it upon its own terms. Not all syndicates are of this class, however. Many have quite beneficent objects in view, *e.g.* the working of a patent, the amalgamation of a number of small companies into one strong company, etc.

Outside Brokers. Members of the Stock Exchange are not allowed to advertise. The power and advantage of advertising is not likely to be overlooked in these days, and consequently many firms of Stock and Share Brokers, whose principals are not members of the House, and therefore are called "outside brokers," do a large and straightforward business through their agents on the Stock Exchange. An outside Broker suffers certain disadvantages compared with his more widely recognised brother, the inside broker. He must, *e.g.*, pay an inside Broker to act for him. This disadvantage descends to the clients for whom the outside Broker acts, as they are charged a double commission. Again, in the case of a dispute between an inside Broker and his client, the latter can appeal to the Stock Exchange Committee; but there is no appeal should a difference arise with an outside Broker. Side by side with the honest outside broker there exists a class of dishonest persons who conduct what are called "*Bucket Shops*," and, by means of speciously worded advertisements and circulars, induce simple-minded people to deposit *cover* (*i.e.* a sum of money sufficient to meet, within the limits agreed upon, the possible fall in price of the securities forming the subject of speculation) for operations which can only be described as gambling transactions pure and simple.

Special Settlement. When application is made for the quotation of a new issue to be included in the Stock Exchange List, certain formalities have to be complied with, after which the Committee appoint a special day for settling accounts. Subsequent settlements take place twice a month on the ordinary account days. All dealings in the scrip, bonds, or shares of new issues are entered into for the special settlements, *i.e.* the time of delivery of the shares sold and of payment for shares bought, is deferred until this special settling day. But for these rules of the Stock Exchange it might very well happen that sufficient scrip or shares had not been issued by the Company, and those who had contracted to deliver could not do so by reason of this fact. The student will, perhaps, have seen in the prospectuses of new companies a statement to the effect that a Stock Exchange quotation had been or is about to be applied for. Stocks and shares subject to this special settlement are marked in the Stock Exchange List, s/s.

Defaulters. When a member of the Stock Exchange cannot fulfil his obligations, if, *e.g.*, he cannot pay his differences or cannot pay for stock bought which he has been unable to " carry over," he becomes a defaulter, and is declared so by the chairman or his deputy, or by two members of the committee. Sometimes a member makes default because he has sold stock which he cannot deliver. But defaults caused through inability to deliver stock are of very rare occurrence, and only happen when the market has been heavily oversold, and the Bulls insist upon delivery under penalty of continued " Buying In." This forces up prices to such an extent that the weaker Bears cannot pay their differences, nor deliver the stock, and, consequently, they make default. An official of the House mounts a rostrum, strikes the desk with a hammer, and calls out the name of the defaulter. This is known as *hammering*. The *Official Assignee* of the Stock Exchange then fixes the current price of the stock or stocks in which the defaulting member had dealt, *i.e.* the prices immediately prior to the declaration of default, and all members who have accounts open with the defaulter must close their transactions with him by buying from or selling to, the Assignee (acting as liquidator of the defaulter's estate) as the case may be, the amounts of stock which the defaulter had respectively contracted to accept or deliver. If the defaulter had sold stock at 95, and the price settled by the Assignee be 93, the purchaser must sell at the lower figure, and become a creditor on the bankrupt's estate for the difference of 2 per cent. and similarly, if the defaulter had bought stock, and the respective prices were those just quoted, the seller must buy back the stock at 93, and transfer the difference to the estate. This, however, is only an instance of what happens in one particular relationship of a defaulter to those with whom he has accounts open. The administration of a defaulter's estate is, however, very often a most highly complicated business, which could not be explained without going deeply into technicalities and legal decisions—an excursion which would probably interest or usefully instruct but few of my readers.

Options. A large part of Stock Exchange business is nowadays concerned with what are known as "Options." An option is a highly speculative form of dealing in securities, and may be one of three kinds, viz. a Put, a Call, or a Put and Call. A *Put* is the right given in exchange for a specified sum, whereby the purchaser may, if he thinks fit, compel the seller of the Put to *buy from him* a definite amount of stock or number of shares at a specified price, at an agreed future time. A *Call*—the converse of a Put—is the right given in exchange for a specified sum, whereby the purchaser may, if he thinks fit, compel the seller of the Call to *sell to him* a definite amount of stock or number of shares at an agreed price on an agreed date. *A Put and Call* or *Double Option*—a combination of the two—is the right given in exchange for a specified sum, whereby the purchaser has the option of compelling the seller, either to *buy from him* or *sell to him* a definite amount of stock or number of shares at the price and time agreed. For example, A purchases from B for the sum of £25 a Put of 500 Premier Deferred at 6½ for the end November account, by which B undertakes to buy from A at the end of November, if called upon to do so, 500 Premier Deferred at an agreed price of 6½. If at the end of November the price of the shares is, say 6¾, it is obvious that A will not call upon B to complete the bargain, because A would be the loser, having to sell shares at 6½ which would cost him 6¾ to buy, besides, of course, losing the £25 A had paid for the option. But supposing at the November account the shares had fallen, say to 6¼, A could compel B to accept the 500 shares at the agreed price of 6½, and would thus make a profit of £125, less the price he paid for the option. If, on the other hand A had purchased a Call of 500 Premier Deferred at 6½, and the shares had gone up to 6¾ at the November account, A would compel B to deliver the 500 at 6½ : if the shares had gone down to 6¼, A, naturally, would not exercise his option, and would also lose the £25 he paid for it. A Put and Call option would benefit A, whether the shares went up or down, provided that the fluctuation amounted to more than the sum he had paid for the double option. The cost of a double option is much higher than that charged for a single option. Where the buyer acquires the right to buy further stock or shares on the same terms as are agreed upon for the call he is said to have a *Call* *of More.* Similarly where he acquires the right to sell further shares he is said to have a *Put of More.*

Option dealing is not a form of enterprise to be recommended. Simple though it appears, it is really most complicated, for all sorts of combinations and positions are possible. The fact that the liability is limited to the price paid for the option is an attractive feature to many speculators, but vastly more lose than gain by option dealing. The Stock Exchange Committee do not recognise operations extending over a greater period than that covered by two accounts, so that bargains, arising out of options taking more than a month to complete, cannot be enforced by the Stock Exchange rules, but they can be enforced by legal process.

Ex div., xd. and Ex In., x in. The student has already been told the meaning of these symbols (*see* p. 475). Incorporated Companies periodically close or "shut" their transfer books for the purpose of preparing the dividend lists. During this period all cheques or dividend warrants are made out to the holders of the securities as they stand on the books prior to closing. It will readily be seen that if the work of transfer and cheque and warrant drawing proceeded simultaneously, mistakes, for which the company would be responsible, might easily arise, and cheques or warrants be drawn to the wrong persons. The companies therefore safeguard themselves by refusing to give effect to any dealings in their securities during the period when the books are closed, until after they are re-opened. If securities were always sold and transferred immediately after the declaration or payment of dividends, the price of the securities would be their market value as securities. But they are transferred at all times—prior to, during, and after the declaration or payment of interest or dividends. Now a security (apart altogether from the fluctuations affecting its market value as a security) increases in value by the amount of the interest or dividend accrued upon it. Assume for argument that a particular 3 per cent. stock invariably stands at par. The interest is paid to December 31. On January 1, £100 of the stock is exactly worth £100. On February 1 following it is worth £100 + 1 month's interest @ 3 per cent. And on June 15 following it is worth £100 + 5½ months' interest @ 3 per cent. = £101 7*s.* 6*d.* The question then arises, if the security is sold, to whom does this interest belong? The Stock Exchange Committee, as the arbiter in all matters relative to deals in securities, says in rule 91, 'Government and Corporation inscribed or registered securities are to be quoted *ex div.* on the day after that on which the books close for the payment of dividend, and securities deliverable by deed of transfer (*e.g.* English railway debenture stock, and ordinary shares) on the account day following the date of the closing of the books for the payment of dividend, or on the account day following the date on which the dividend may have been declared, provided the dividend be made payable to the holders then registered." In the case of a company, the Committee fix the date for marking *ex div.* on receiving official intimation of the rate of dividend declared, or about to be recommended to the shareholders.

Thus (1) If a seller dispose of stock immediately prior to the closing of the company's books, in time for registration in the name of the buyer, and before it is marked in the Stock Exchange list *x d.* or *x in.*, the cheque for the dividend or interest will be received by the purchaser. The seller suffers no loss, because he has received the accrued interest in the purchase price which is increased by the amount of the dividend or interest.

(2) If a seller dispose of stock when the company's books are shut and prior to its being marked *x in.* or *x d.*, he receives the cheque for the dividend or interest, but he must hand it over to the buyer, because he has already received it in the price at which he sold.

(3) If a seller dispose of stock when it is marked *x in* or *x d*, and when the company's books are shut, he retains the cheque for the interest or dividend, because the price at which he sold did not include the interest or dividend accrued upon the stock.

Cum Dividend and Cum Interest. Immediately after a particular security is marked *x in.* or *x d.*, the ensuing interest or dividend begins to accrue and to increase the price, and the dealings in that security, so far as the subsequent interest or dividend is concerned, are *cum* (= with) interest or dividend and not *ex* (= without) interest or dividend.

Gilt-edged Securities. This is a somewhat silly expression, derived from the practice of gilding books to preserve the edges from being soiled by dust, and is applied to securities of the soundest description, such as Government Stocks and the debentures of the leading railways.

Harden, Easier. Prices are said to *harden* when they show an upward tendency. They are *easier* when a lower quotation can be obtained than was possible before.

Ex Rights, Cum Rights. Sometimes the possession of a particular company's stock or shares carries with it rights of increasing one's holding, in the same or in other classes of stock that may be issued by the company, on particularly advantageous terms.

Where such stocks or shares are sold *cum rights* any such or other advantage attaching to the stock passes with the transfer of the securities. Where it is sold *ex rights* the advantage remains with the seller. The right to take up stock is very often a marketable commodity, and where such a right is sold the seller fills up and signs the *Form of Renunciation* (attached to the *Form of Acceptance of Stock* sent out by the Directors offering the new issue) in favour of the person to whom he has sold it. This document reads : " I hereby renounce my right to apply for the above stock in favour of of ." It is stamped 6*d.* if the nominal amount of the stock is £5 or more ; otherwise, 2*d.* An adhesive Inland Revenue stamp may be used. Alternative terms to Ex Rights and Cum Rights are *Ex New* and *Cum New.*

Ex All. This expression signifies that sales of stock or shares so made are exclusive of all rights to dividend, bonus, right to take up new issues, or any other advantage that may attach to the stock or shares.

Parity Prices. In the lists of United States securities given in newspapers the prices quoted, except where otherwise stated, are in $ per $100 of stock. The value of the $ in sterling is, as the student who has read Chap. XIX dealing with the foreign exchanges will know, variable. The " parity " of any share is obtained by converting the New York dollar closing price into sterling at the " cabled " rate of exchange of the day and multiplying this by 5, giving the result to the nearest sixteenth of a £. This causes the " parity " to approximate to the New York closing quotations, but it is 5 times the real sterling price. American share certificates are issued in multiples of 10, and to ascertain the amount of a transaction, the number dealt in is divided by 5 instead of dividing the dealing price by 5 and having probable fractions. Since the War comparatively little business has been done in United States Railways as most of the shares and bonds previously held in this country were sent to the United States against payment in gold during the War.

Arbitrage Transactions. In the same way that arbitrage business is conducted in respect of the foreign exchanges, so also it finds a place in stock and share dealing. The securities of international importance quoted in the Stock Exchange list are also quoted on the Bourses of Paris, Berlin, Vienna, etc. If, *e.g.*, the quotation of a particular stock in Paris, after allowing for any extra costs arising in respect of local taxation and transmitting and insuring the securities, is higher than the quotation for the same stock in London, a speculator in London, on receiving information to that effect by cable or telephone, would cable or telephone to his correspondent in Paris to sell so much of the stock, while he himself would buy simultaneously an equal quantity, and transmit the securities to Paris. Similarly, in the reverse position, the London speculator would sell and the Paris correspondent buy.

Leeman's Act. An Act passed to regulate dealing in Bank Shares and to prevent speculation in them as being contrary to the public good. It provides that no contract for the sale of such shares shall be valid unless the numbers of the shares are specified, and the names of the registered holders of them are disclosed. It is now practically a dead letter as such transactions frequently take place, and are upheld both by the Stock Exchange and the Courts.

Stamp Duties.

(a) *Contract Notes* £5 and not exceeding £100 .	6*d.*
£100 " " " £500 .	1/-
£500 " " " £1000 .	2/-
£1000 " " " £1500 .	3/-
£1500 " " " £2500 .	4/-
Each additional £2500 or fraction thereof, additional,	2/-
up to £20,000 or over when the stamp is	20/-

Continuation Notes are stamped with single duty though they cover two transactions—a sale and a purchase. If different rates of duty are chargeable in respect of the transactions then the note is stamped at the higher rate. Contract Notes for options are stamped at half the above rates ; double options (put and call) at full rates. Contract Notes issued when an option is exercised are stamped half-rates. The stamps to be used are the special adhesive stamps appropriated to contract notes.

(b) *Transfers.*

BANK OF ENGLAND STOCK, any amount .	15/6
COLONIAL STOCK forming part of public debt of any Colony, registered in United Kingdom, and to which the Colonial Stock Act of 1877 applies per £100 nominal or fraction thereof	5/-

N.B.—The stamp duty on these Colonial stocks is usually compounded for.

ALL OTHER STOCK Consideration not exceeding £5	**1/-**
Exceeding £5 and not exceeding £10	**2/-**
,, £10 ,, ,, ,, £15	**3/-**
,, £15 ,, ,, ,, £20	**4/-**
,, £20 ,, ,, ,, £25	**5/-**
Each additional £25 or fraction thereof, additional up to £300 and then 10/- additional for each additional £50 or part thereof.	**5/-**

Broker's Charges. Brokers on the London, Provincial, and Scotch Exchanges have a fixed scale of charges. The following are the brokerages charged in London :

Consols and Annuities	³⁄₁₆ per cent.
British, Foreign and Indian Government Securities (nominal value)	¼ per cent.
Colonial and Municipal Securities, and Debentures Bond (nominal value)	¼ per cent.
Registered Securities (amount of transfer)	½ per cent.
Shares : Under 10/- per share	per share 1½*d*.
Exceeding 10/- and not exceeding £1 5 0	,, 3*d*.
,, £1 5 0 ,, ,, £3 10 0	,, 6*d*.
,, £3 10 0 ,, ,, £5 0 0	,, 9*d*.
,, £5 0 0 ,, ,, £7 10 0	,, 1/-
,, £7 10 0 ,, ,, £10 0 0	,, 1/3
,, £10 0 0 ,, ,, £15 0 0	,, 1/6
,, £15 0 0 ,, ,, £20 0 0	,, 2/-
,, £20 0 0 ,, ,, £25 0 0	,, 2/6
Beyond £25 (amount of transfer)	½ per cent.

Stock Exchange Slang. As might be expected there has come into use amongst members of the Stock Exchange a number of portmanteaux words used to designate particular classes of securities. Thus *Canpacs* signifies the securities of the Canadian Pacific Railway Co., *Bags* the stock of the Buenos Ayres Great Southern Railway, *Fags*, the Deferred Stock of the Antofagasta (Chile) and Bolivia Railway Company. The list might be prolonged to a page or two if any real educational end could thereby be served.

INFLUENCES ON STOCK EXCHANGE PRICES

(1) Speculation. Dealings on the Stock Exchange are either genuine investment bargains or speculative transactions conducted in the hope that a profit may be secured on the transactions themselves. Since by the constitution of the Stock Exchange every transaction, whether it be genuine investment or pure speculation, is no mere handling of differences but involves the ultimate acceptance or delivery of the securities dealt in, the speculative transactions exert as real an influence on the rise and fall in prices as the genuine investment transactions themselves. But there is this difference. The effect of the speculative transactions though real is transient, while that of the genuine investment dealings is both real and permanent. Hence no matter how extensive speculative transactions may be, they cannot produce any permanent decline in the value of securities intrinsically sound.

(2) **Wars.** (*a*) The outbreak of war causes an increase in the value of money. Fresh securities are issued to provide funds for the prosecution of the war, and frequently on terms more advantageous to subscribers than obtain on already existent securities. Hence money which would have been available for trade needs is absorbed in these national loans, while the tendency is for investors to sell other securities and take up these more attractive investments. Consequently, the money still required for trade can only be obtained at a higher rate of interest. (*b*) These national loans, while they withdraw money that would have been used for trade or investment purposes, impose an additional burden of taxation upon the country to provide interest for the capital and a sinking fund for its redemption, and every such burden diminishes the demand for investments and thus tends to reduce their value. (*c*) The same effects are observable in the case of every belligerent. Hence, what is a calamity for one of them is intensified and becomes much more a calamity when many countries are involved; trade depends upon freedom of intercourse, and there can be no direct commercial intercourse between nations at war, and where trade languishes or is at a standstill savings available for investments are reduced. (*d*) There is always the possibility that nations other than the original belligerents may become involved. Hence there is a general tendency for neighbouring states to strengthen their finances to meet a probable national emergency. British securities held by these neighbouring states may be thrown upon the market, and the proceeds withdrawn in gold, thus depleting the Bank of England reserve, and forcing the directors in self-defence to raise the bank rate. This was the case to an alarming extent at the outbreak of the Great War. The bank rate was increased to 10 %, and, so great

was the fall in the price of British securities because of selling by neutrals and enemy countries acting through neutrals, that the Stock Exchange was forced to close its doors. (*e*) War, on the other hand, leads to increased activity in some directions—*e.g.* in the manufacture of warlike engines—and thus some securities increase in value, but, generally speaking, the increased activity would mainly be disclosed in unproductive expenditure—*i.e.* expenditure which does not result in the creation of additional wealth for extended commercial enterprises.

(3) **The Condition of Trade.** Trade being the interchange of material commodities desired by consumers—commerce being simply trade on a wider international scale—a greater number of exchanges—*i.e.* of sales and purchases—obviously signifies an extended trade. Extended trade means that people want more of these material commodities than they were able previously to afford. Merchants accordingly give larger orders, and tradesmen, the intermediaries between sellers and buyers, keep greater and more varied stocks. Improved machinery, and more of it, expediting the production of the raw material whose finished forms are wanted, involves more labour and wages; and by cheapened processes these articles become reduced in price and command an ampler circle of consumers. The increased wages are spent with tradesmen, who are thus enabled to expand their trade. The prosperity of any trade involves others in its fortunes, for the traders themselves are consumers, and their purchases from each other are enlarged. The export of goods to foreign nations is augmented, and imports, received in payment of exports, expand. The coal industry is improved, for additional machinery requires more coal, and the vessels which convey the goods abroad and home demand larger coal supplies in proportion to the greater number employed and their more frequent voyages. An increase of exported and imported merchandise provides more work and more remunerative work for the railways—the " heavy " lines, as they are termed; and the enhanced gains realised during periods of active and prosperous trade enable holidays to be more readily taken, and the passenger trains—the " light " lines—ply a busier traffic. So integrally allied are all the branches of industrial organisation, that a propitious start at any point radiates its stimulating influence throughout the mass, and passes with enlarging circumference beyond the bounds of the nation in which it formed.

Now every interchange of goods is the creation of a debt from the buyer to the seller. The evidences of these debts are cheques and Bills of Exchange—inland and foreign—and when transactions multiply these credit instruments multiply in a corresponding ratio. But more bills require more discounting (their reduction into present money) so that the proceeds may be promptly invested in additional trade operations. More discounting demands a larger supply of capital, which the bill-brokers drawing from the bankers supply. Merchants and businesses generally require also direct loans on security for the conduct of their expanding engagements, and the banks which make the advances are kept vigorously active in the complete employment of the funds which they hold or can command.

As a necessary consequence of the full employment of the loanable capital that London possesses, in mercantile transactions and enterprises yielding a high rate of remuneration, the tendency of the prices of securities upon the Stock Exchange is towards a progressive fall. It need not be explained that this competition for capital increases its price, *i.e.* the rate of interest at which it can be lent; and it must be remembered that a great part of the purely speculative operations on the Stock Exchange—apart, *i.e.* from genuine investment business—is conducted upon borrowed capital. These causes, then, divert money from Stock Exchange investments, and hence the demand for these securities is relaxed.

Other factors auxiliary to these influences begin to operate in the same direction. Some investors in Stock Exchange securities sell out and put their money into the more remunerative trade channels. While others, who have purchased securities on borrowed capital, find it more and more difficult to retain their holdings under the increasing rate of interest for loanable capital, and are forced sooner or later to sell out. It is obvious that a speculator holding stocks which produce him 4 per cent. per annum could not profitably hold them if the interest on the capital with which he originally bought them cost him 5 per cent. per annum.

For prices of investments accordingly the only fate is a fall. For if the owner of a commodity which he desires to sell finds buyers few, he must diminish his price to tempt a sale, and each reduction of the area of purchasers compels a corresponding abatement of his gains. And securities are but commodities, obedient to the same law of supply and demand.

The student has simply to substitute a course of events of an opposite character to that depicted to perceive the effect of a dwindling and unprosperous state of trade.

(4) *Miscellaneous Influences.*

(*a*) Dear or Cheap Coal depresses or advances the value of the shares of Shipping and Railway Companies and also those of manufacturing industries, except Debenture and Preference Stock, the interest on which is fixed by contract. An increase in the cost of coal of 1*s.* or 1*s.* 6*d.* per ton would augment the yearly coal bill of the Cunard Steamship Company by £100,000.

(*b*) Unfavourable weather influences railway receipts, and a continuance of it will temporarily depress the value of railway shares. The effect is felt more in the passenger traffic than in the goods traffic, for passenger trains must run whether passengers be few or many.

(*c*) Strikes obviously exercise a depressing effect on Railway and Industrial shares.

(*d*) Inefficient Management of particular Companies reduces the value of the particular Companies' Securities.

(*e*) Where an estate consists, amongst other things, of a large quantity of a particular stock, the wholesale realisation of the stock, consequent upon the owner's death and the distribution of the estate, would temporarily depress the value of the stock so realised.

(*f*) The realisation of securities by Fire Insurance Companies in order to meet the claims arising from a disastrous fire or series of fires is not infrequently accompanied by a temporary decline in values.

(*g*) Ill-advised legislation.

TEST PAPER XXXI

1. Describe how a Contract is entered into on the London Stock Exchange.

2. Explain the use of "the Ticket" in recording transactions on the Exchange.

3. How are accounts settled on the Stock Exchange?

4. Describe how purchases and sales are carried over from one settlement to the next.

5. In what cases can a seller of securities sell out, and a buyer of securities buy in the same? Give illustrations.

6. What provisions are made by the Rules of the London Stock Exchange as to the formation of Partnerships among Members of the House?

7. Explain the following: Bearer Securities; Cover System; Exchequer Bonds; Special Settlement; Time Bargains.

8. Describe the principal duties of the Official Assignee of the London Stock Exchange.

9. Explain the following: Scrip; Registered Coupons; Irredeemable Stock; Treasury Bills; Backwardation.

10. Explain the difference between Stocks, Shares, Bonds and Debentures.

11. What is meant by closing a Bull or Bear Account ?

12. How is a Put and Call Option effected ?

13. Explain what is meant by " certifying a transfer."

14. Describe the difference between passing tickets and clearing stock.

15. What is the difference between brokers and jobbers ? How are each remunerated for their services ?

16. What is the meaning of Ex-new, Ex-all ?

17. What are " hammer " prices ?

18. Describe the way in which a purchase of shares is entered into and carried through on the London Stock Exchange.

19. Describe briefly the procedure necessary to transfer British Funds by Attorney.

20. How could you distinguish between a speculative and a gaming transaction in relation to Stock Exchange dealings ?

21. State generally what are the differences between a Bull and a Bear on the Stock Exchange. How may each carry over his transaction ?

22. Explain the following : Redeemable Stock, Drawn Bonds, Making-up Prices, Share Warrants to Bearer, Jobber's Turn.

23. To what extent is an offer to buy Shares or Stock binding in a case of Registered Securities ?

24. What do you understand by splitting a ticket ?

25. What is a special settlement, and in what circumstances does such a settlement arise ?

26. What is the rule of the London Stock Exchange as to interest accrued in the case of bonds and debentures of Home, Colonial, and Foreign Railways ?

27. What do you understand by dealing for the Account ?

28. Explain the nature of the jobber's business on the London Stock Exchange.

29. What part of the routine of the London Stock Exchange is performed by the Settlement Department ?

30. Why does a company periodically close its transfer books ?

31. What is the Stock Exchange List, and what purposes does it serve ?

32. Explain the following : Securities to Bearer ; Difference Bargains ; Sinking Fund ; Registered Bonds.

33. What particulars in a contract note are required to be given by Leeman's Act ?

34. Explain why the amount mentioned in a " transfer " may differ from the actual price received by the seller.

35. What is the difference between contango and backwardation ?

CHAPTER XXII

AFFREIGHTMENT; MARINE INSURANCE; PARTICULAR AVERAGE; GENERAL AVERAGE, ETC.

AFFREIGHTMENT

THE contract for the carriage of goods by sea is called a contract of affreightment. If a whole ship is hired, or chartered, by a shipper the contract is entered into by *Charter-Party*. If, however, only a small consignment of goods is sent by a general ship, the contract is evidenced by a *Bill of Lading*.

Facing page 520, will be found a specimen of both a Charter-Party and a Bill of Lading. It will be observed that each of these documents requires to be stamped with a 6d. stamp.

Charter-Party.—A charter-party may be either a *Voyage-Charter*, in which case the ship is hired for a particular voyage or for a series of voyages, or it may be a *Time-Charter*, in which case the ship is hired for a definite period of time.

If the student will examine the specimen Charter-Party, he will see that it contains a number of conditions on which the ship is hired or chartered. For instance, the shipowner agrees to provide a ship which shall proceed to a certain port with all convenient speed He also represents that the ship shall be "tight, staunch and strong," and fit for the intended voyage. The charterer, on his part, agrees to provide a full cargo, and to pay freight at an agreed rate. There are also provisions regarding the loading and unloading of the cargo, the time to be allowed for these operations, the amount of demurrage to be paid if the stipulated time for loading and unloading is exceeded, and the amount of despatch money payable by the shipowner to the charterer for each day saved in loading.

Demurrage. If a longer time than the fixed lay-days is taken in loading or unloading, the extra time taken must be paid for by the charterer. The amount which is to be paid is usually agreed beforehand, and inserted in the Charter-Party. This is called *demurrage*, and is really liquidated (i.e. agreed) damages for detention of the ship beyond the agreed lay-days.

Bill of Lading.—This document serves three purposes: (1) It is a receipt from the ship-owner for the goods shipped. (2) It is evidence of the contract of affreightment, and contains the conditions of such contract. (3) It is a document of title to the goods.

If the student will refer to the specimen Bill of Lading facing page 520, he will see that it contains a number of conditions. They are all, however, subject to one paramount condition, viz. that the contract is subject to the conditions contained in the *Carriage of Goods by Sea Act*, 1924. This Act imposes certain liabilities on a shipowner out of which he cannot contract, and it also gives him certain rights and immunities.

Freight. The consideration paid to a shipowner for carrying goods or leasing his ship is termed *Freight*. The word is also used to designate the actual goods carried. Freight under a B/L is usually paid in advance; under a C/P it is usually paid at the port of destination. In both cases the shipowner has a lien on the goods for the payment of the freight. A Bill of Lading is, as already explained, a document of title. It may be transferred from one person to another by endorsement and delivery, and the possession of the B/L is tantamount to possession of the goods. It has already been shown that a merchant frequently raises funds on a shipment of goods by depositing with a bank a B/E drawn upon the consignee, to which the B/L endorsed to the bank is attached.

Need for Insurance. Seeing, then, that the shipper, both under a B/L and under a C/P, runs considerable risks of loss in respect of his shipments, it becomes necessary that he should increase his protection. The owner of a vessel, too, runs the risk of loss or damage to his ship and partial or total loss of the freight earned by carrying goods; so he also must see that his position is safeguarded This is done by taking out a policy of Marine Insurance. It is important that the shipper or charterer should see that where the ship owner's liability ends the liability of the insurer should begin, so that in any event he (the shipper or charterer) should be indemnified in respect of all losses that may arise. Hence, the terms of the B/L and the Charter-Party should be carefully considered in the light of the Insurance Policy and *vice versa.*

MARINE INSURANCE

Taking out a Policy. Marine Insurance may be effected in two ways. A Policy may be taken out direct with any of the large joint stock insurance companies transacting Marine Insurance business. Such a policy is called a *Company Policy*. Or it may be effected through persons called underwriters, who are members of Lloyd's (*see* below), when it is called a *Lloyd's Policy*. The wording of these Policies differs in some respects (Lloyd's form of Policy is given on pp. 500-1), and the procedure to be followed when dealing with a company or with Lloyd's also varies. The joint stock companies are wealthy corporations, and will frequently insure risks involving very large amounts. They may possibly afterwards reinsure portions or even the whole of the risk with members of Lloyd's or with other companies, but initially they are prepared to take over the whole of the risk, and the intervention of an insurance broker is not necessary. But in the case of Lloyd's an insurance broker must be employed, and the individual underwriters of Lloyd's will generally only assure relatively small portions of the risk, *e.g.* suppose a shipper wishes to insure a shipment value £20,000 from Liverpool to New York, he applies to one of the insurance brokers, who quotes a rate, and if the rate is accepted, proceeds to draw up particulars of the proposed insurance. The memorandum containing these particulars is called the *Slip*. The broker goes to the underwriters' room at Lloyd's, and submits the slip to different underwriters, who, if they decide to accept a share of the risk, write down the amount they are prepared to insure and initial the slip. This procedure is continued till the whole of the £20,000 has been underwritten. Possibly there may be twenty to thirty underwriters who accept liability for stated sums, the aggregate of the different liabilities amounting to £20,000. When the slip is fully underwritten the broker prepares the Policy on a Lloyd's form, transfers the names and amounts from the slip to the Policy, and obtains the signatures of the underwriters to the respective amounts they have agreed, by initialling the slip, to insure or underwrite. The Policy is then duly stamped and handed to the shipper in exchange for the premium stated in the Policy, which the broker afterwards distributes amongst the underwriters *pro rata* according to the amounts they have underwritten. Usually the Policy is not handed to the assured till the ship or other subject-matter of the insurance is on its voyage But the slip is binding upon the underwriters who have initialled it. So also is the *Covering Note* issued by a company prior to the delivery of the actual Policy.

Lloyd's is an incorporated society, but does not in its corporate capacity undertake insurance business. That is the work of its members. Each candidate for membership must satisfy the committee that he is possessed of sufficient means to undertake insurance business, and must deposit with the committee a large sum of money as a guarantee that he will fulfil his obligations. The underwriters at Lloyd's will not only undertake to insure marine risks, but many other risks as well, *e.g.* they will insure a tea merchant against the loss attendant upon a change in the duty imposed by the Government, or against the chances of a particular political party being returned to power at a general election. In its corporate capacity Lloyd's fulfils many functions of the highest possible usefulness not only to underwriters but to all who have any interest in the shipping business, including economists, etc. Lloyd's maintains signal-stations and agencies all over the world, from which the movements of different ships are regularly transmitted to headquarters. This information is published daily in *Lloyd's List*. Lloyd's also issue annual statistics of the shipbuilding and ship-repairing industries. Thus the underwriters who are members of Lloyd's have full opportunities for obtaining all information necessary to guide them in accepting risks.

Lloyd's Register of Shipping. This register is compiled by a Committee, distinct from the incorporated society of Lloyd's. In this list ships are divided into different classes in respect of their seaworthiness, viz. *A*1 ; 90 *A*1 ; 80 *A*1—A1 denoting ships of the first class, 90 A1, ships of the lower class, and 80 A1, ships of the lowest class. Naturally *the rate of premium* charged for insuring vessels and goods carried in them is lower in the case of vessels of the A1 class than for those of the 90 A1 or the 80 A1 classes. The rate of premium also varies with the way the goods are packed. Goods packed in a soldered zinc case and then in a wooden case, or "*wood & zinc*" as it is called, are less liable to damage by sea-water than goods packed in oil-baize and wood, and these again less than those packed in wood only.

Nature of the Contract. The contract of Marine Insurance is a contract of indemnity. In fire insurance the indemnity is, speaking generally, limited to the actual loss sustained ; in marine insurance it is ordinarily based on values agreed upon in advance, which may be greater or less than the values at risk. In consideration of the payment of a sum called the *Premium*, the underwriter agrees to indemnify the assured against loss or damage caused by certain specified perils, sometimes called perils of the sea, but more accurately described as " perils insured against," as some of the risks insured against are not sea risks at all.

The Policy. The document embodying the contract of insurance is called the Policy, and it has been described as " a contract of indemnity against all losses accruing to the subject-matter of the policy from certain perils during the adventure." It is an antiquated document scarcely suited to the requirements of modern commerce, but its wording and terms have been so subjected to legal decision that the meaning which the Courts attach to almost every word of it is known. It is a document capable of assignment by the person in whose name the insurance has been effected to another person who may be interested therein, the assignment being merely by endorsement and delivery. To be valid the policy must be duly stamped.

Stamping Policies. *Voyage Policies:* Where the premium is 2/6 per cent. or less, the duty is 1*d.* for both Voyage and Time Policies without regard to the amount; in other cases the stamp duty is 3*d.* for each £250 up to £1,000; and where it exceeds £1,000, for every £500 and any fractional part of £500, 6*d.*

Time Policies.—Where the insurance is for a period not exceeding six months, the stamp duty is three times (twelve months: six times) the amount which would be payable if the insurance were made upon a voyage.

If the policy is for a voyage and a period after arrival not exceeding thirty days, it is stamped as a Voyage policy; if for a voyage and also for time or exceeding thirty days after arrival it is stamped both as a Voyage and a Time policy.

No policy may be effected for a period exceeding twelve months. Policies issued abroad and made payable in the U.K. must be stamped as above within ten days after their receipt into the U.K.

Kinds of Policies. Marine policies, though usually in one form, are of different kinds known by different names.

Interest Policy. One which shows clearly that the assured has a specific local interest at risk, *e.g.* 50 bales wool; 1000 bags rice, etc.

Voyage Policy. One in which the limits of the risk are defined by termini or places, the subject-matter being insured, *e.g.* for a particular voyage, say from London to Bombay, New York to Liverpool, etc.

Time Policy. One which expresses the insurance of the subject-matter for a specified period of time, *e.g.* "Noon 1st January 1924 to noon 1st January 1925." This sort of Policy is usually resorted to in the case of hulls, etc., of vessels, though sometimes vessels are insured for each separate voyage under a voyage policy.

Valued Policy. One in which an agreed value (not necessarily the actual value) of the thing assured is inserted in the Policy, as on goods valued at £1000, or on hull, etc., valued at £10,000.

Open or Unvalued Policy. One in which the value of the subject-matter is not stated but left to be proved. This kind is not frequently met with. The term Open Policy is now usually given to a Floating Policy.

Floating Policy. One in which no name of any special vessel is mentioned, it being stated to apply or "attach" to any ship "or ships," "steamer or steamers," to be declared for a specified voyage. A regular shipper of goods, say to Hong Kong, by the P. & O. Company's steamers, instead of insuring each fortnightly shipment under a separate policy, would take out a floating policy, say for £20,000. As each shipment is made, its value, and other necessary particulars are declared to the broker, and the amount of the declaration is written off the policy. This goes on until the amount of the declarations equals the face value of the policy, when a fresh floating policy is taken out. The student is referred to a detailed correspondence on this subject in "Modern Commercial Correspondence," by J. K. Grebby, at pp. 185-188.

Wager Policy. One in which the insured has no insurable interest at stake, or one in regard to which the underwriter is willing to dispense with any proof of interest, the words "Policy proof of Interest" (P.P.I. Policies), "Interest or no interest" or other like expressions being inserted in the policy for this purpose. Wager Policies are void according to the Marine Insurance Act, but they continue to be executed, and though valueless in a Court of Law, they, like other affairs of honour (the policies are sometimes termed Honour Policies), are treated with great respect as between underwriter and assured. But Policy Proof of Interest Policies are frequently mere gambling transactions; to suppress this abuse, the Marine Insurance (Gambling Policies) Act, 1909—"an Act to prohibit Gambling on loss by maritime perils"—was passed.

Good Faith. Misrepresentation. The essential feature of a contract of Marine Insurance, as indeed of all contracts, is good faith. Fraud at once invalidates the insurance, and deprives the party committing it of all his rights under the contract. A full disclosure of all the facts concerning the risk must be made to the underwriter by the insured. Any concealment of material facts invalidates the insurance. Misrepresentation is equally fatal, but if the misrepresentation do not amount to moral fraud, the insured is entitled to the return of the premium paid.

Implied Warranties. To render a Marine Insurance Contract valid two conditions must be complied with. They are unexpressed but tacitly understood, and therefore termed *Implied Warranties*. The one is *Seaworthiness* and the other *Legality*. In every Voyage Policy on hull and cargo there is an implied

COPY OF LLOYD'S FORM OF POLICY

Be it known that

S.G.

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as well in own Name, as for and in the Name and Names of all and every other Person or Persons to whom the same doth, may, or shall appertain, in part or in all, doth make assurance and cause and them and every of them to be insured, lost or not lost, at and from

upon any kind of Goods and Merchandises, and also upon the Body, Tackle, Apparel, Ordnance, Munition, Artillery, Boat and other Furniture, of and in the good Ship or Vessel called the

whereof is Master, under God, for this present voyage,
or whosoever else shall go for Master in the said Ship, or by whatsoever other Name or Names the same Ship, or the Master thereof, is or shall be named or called, beginning the adventure upon the said Goods and Merchandises from the loading thereof aboard the said Ship

upon the said Ship, etc.,

and shall so continue and endure during her Abode there, upon the said Ship, etc.; and further, until the said Ship, with all her Ordnance, Tackle, Apparel, etc., and Goods and Merchandises whatsoever shall be arrived at

upon the said Ship, etc., until she hath moored at Anchor Twenty-four Hours in good Safety, and upon the Goods and Merchandises until the same be there discharged and safely landed; and it shall be lawful for the said Ship, etc., in this Voyage to proceed and sail to and touch and stay at any Ports or Places whatsoever
without Prejudice to this Insurance. The said Ship, etc., Goods and Merchandises, etc., for so much as concerns the Assured by Agreement between the Assured and Assurers in this Policy, are and shall be valued at

Touching the Adventures and Perils which we the Assurers are contented to bear and do take upon us in this Voyage, they are, of the Seas, Men-of-War, Fire, Enemies, Pirates, Rovers, Thieves, Jettisons, Letters of Mart and Countermart, Surprisals, Takings at Sea, Arrests, Restraints, and Detainments of all Kings, Princes, and People, of what Nation, Condition, or Quality soever, Barratry of the Master and Mariners, and of all other Perils, Losses, and Misfortunes that have or shall come to the Hurt, Detriment or Damage of the said Goods and Merchandises and Ship, etc., or any part thereof; and in case of any Loss or Misfortune, it shall be lawful to the Assured, their Factors, Servants and Assigns, to sue, labour, and travel for, in, and about the Defence, Safeguard and Recovery of the said Goods and Merchandises and Ship, etc., or any part thereof, without Prejudice to this Insurance; to the Charges whereof we, the Assurers, will contribute, each one according to the Rate and Quantity of his sum herein assured. And it is especially declared and agreed that no acts of the Insurer or Insured in recovering, saving, or preserving the property insured, shall be considered as a waiver or acceptance of abandonment. And it is agreed by us, the Insurers, that this Writing or Policy of Assurance shall be of as much Force and Effect as the surest Writing or Policy of Assurance heretofore made in Lombard Street, or in the Royal Exchange, or elsewhere in London.

Warranted nevertheless free of capture, seizure and detention, and the consequences thereof, or of any attempt thereat, piracy excepted, and also from all consequences of hostilities or warlike operations, whether before or after declaration of war.

And so we the Assurers are contented, and do hereby promise and bind ourselves, each one for his own part, our Heirs, Executors, and Goods, to the Assured, their Executors, Administrators, and Assigns, for the true Performance of the Premises, confessing ourselves paid the Consideration due unto us for this Assurance by the Assured

at and after the Rate of

IN WITNESS whereof, we the Assurers have subscribed our Names and Sums assured in

N.B.—Corn, Fish, Salt, Fruit, Flour, and Seed are warranted free from Average, unless general, or the Ship be stranded; Sugar Tobacco, Hemp, Flax, Hides, and Skins are warranted free from Average under Five Pounds per Cent.; and all other Goods, also the Ship and Freight, are warranted free from Average under Three Pounds per Cent., unless general, or the Ship be stranded.

warranty that at the beginning of the voyage the vessel shall be reasonably fit in all respects to encounter the ordinary perils of the adventure insured, that she shall not be overloaded or undermanned, that her officers and crew shall be efficient, that her cargo shall be properly stowed, and that she shall be cargo-worthy, *i.e.* reasonably fit to carry the cargo to the destination contemplated by the Policy. If the voyage be divisible into distinct stages then the vessel must satisfy the condition of seaworthiness at the beginning of each stage. By *Legality* is meant that the adventure shall be legal, *e.g.* an insurance to cover the risk of smuggling is void, so also is an insurance to cover the risk of British capture in time of war.

Phraseology of the Policy. After the words "*Be it known that,*" the name of the insured or his agent must be inserted. The person who effects an insurance must have an "insurable interest" in the thing insured, *i.e.* he must have "benefit from its existence, prejudice by its destruction." Such person may be (1) the owner or part-owner of the property, (2) shippers and agents, (3) a mortgagee of a vessel, (4) a trustee or bailee, (5) an agent insuring on behalf of his principal, (6) an underwriter in respect of the risks he has underwritten and which he may wish to reinsure.

"*As well in his or their own name . . . them to be insured.*" This wording provides not only for the assignment of the Policy, but also enables any person who, during the currency of the risk, may have acquired an insurable interest in the subject-matter of the insurance, to avail himself of the protection of the Policy by adoption; and this adoption may take place *after*, as well as before, the happening of any loss.

"*Lost or not Lost.*" The effect of these words is retrospective, *i.e.* they entitle a merchant whose goods are exposed to the danger of the seas to the protection of the Policy before he has knowledge of the fact, *e.g.* goods may be shipped on a merchant's account, and the advice of shipment not reach him till the goods had been twenty-four hours or more on the high seas. These words do not apply to Open or Floating policies.

"*At and From.*" "From" a port means after the vessel has left that port. "At and from" while the vessel remains at the port and after she has left the port. After the words "at and from," the voyage is inserted. It should be accurately specified. In "time" policies the exact date and hour of the beginning and termination of the risk are stated. The underwriters assume that the ordinary track of the voyage will be followed. If it is not intended to follow the ordinary route, the fact must be communicated. A departure from the ordinary route is termed a *Deviation,* and deviation releases the underwriters from liability as from the time of the deviation, and notwithstanding that if an accident happened it happened *after* the vessel had regained her true course. Deviation may be permitted if it be expressed in the Policy, or is justifiable on any of the grounds mentioned in the next paragraph.

The following are typical examples of Deviation: (1) Going to a port not named in the policy or justified by custom; (2) visiting ports in an order different from that which the policy defines; (3) where the insurance is to a district comprising several ports taking them in non-customary order, or in other than their natural order; (4) staying to trade where the language of the policy implies no such liberty; (5) calling at places for purposes without the scope of the voyage; (6) improper delay in prosecuting the voyage. *Deviation is allowed* (1) where authorised by any special term in the Policy, *e.g.* by a *Deviation and/or Change of Voyage Clause* of which the following is a usual form:

> "In the event of deviation and/or change of voyage the assured to be held covered at a premium to be arranged provided due notice be given on receipt of advice."

Deviation is also allowed (2) where caused by circumstances beyond the control of the master and his employer, *e.g.* the vessel being blown out of its course by tempest, (3) where necessary in order to comply with a warranty expressed or implied, (4) for the safety of the ship, (5) for the purpose of saving life, or obtaining medical or surgical assistance, (6) where the deviation has been caused by the barratry of the master or crew, if barratry be one of the perils insured against.

"*Upon any kind of goods . . . ship or vessel called the* ." This antiquated wording now serves no useful purpose. The subject-matter of the insurance is described after the valuation clause (see p. 504). The name of the vessel should be inserted after these words. The vessel can only be changed with the consent of the underwriters, except when disaster to the original vessel necessitates trans-shipment of the goods insured.

"*Whereof is Master . . . in the said Ship.*" The name of the master is seldom inserted. The wording provides for the substitution of one master for another, if the master originally named should for any reason be unable to command the ship.

"*Or by whatsoever other name . . named or called.*" These words provide for innocent errors in the name of the vessel or the master, but if such errors have misled the underwriters the insurance is void.

"*And upon the goods . . . and safely landed.*" The commencement of the risk on a *hull* has already been indicated when explaining the words "at and from." The commencement of the risk on *goods* and *freight* begins immediately the goods are on board, except where a special clause is added including " risk of craft to and from a vessel."

" *Upon the said ship . . . in good safety.*" These words indicate the time of termination of the risk on hull, etc.

The words " *and upon the goods . . . and safely landed.*" The time of termination of the risk on goods and freight.

In Company Policies the words " *including risk of craft to and from a vessel* " always appear. The effect of the words is to protect the insured against the risk of loss or damage when loading or unloading is effected by lighter. Lloyd's policy protects the shipper against loss or damage in unloading by craft, as will be seen above, and usually a clause is added in writing to a Lloyd's policy on goods protecting the shipper in the case of loading by craft.

"*And it shall be lawful . . . without prejudice to this insurance.*" This clause is known as the " *Touch and Stay Clause,*" but it gives no permission for deviation. The ports must be in the ordinary course of the voyage, and be called at for a justifiable purpose connected with the adventure.

" *The said ship, etc. . . . are and shall be valued at.*" The space which follows is for the insertion of the valuation as between underwriters and assured. After it has been agreed it cannot be altered, unless it is so much in excess of the real value of the thing assured as to amount to fraud, or unless it is a proved innocent mistake. It is usual also to insert here a description of the subject-matter—*e.g.* hull, merchandise, freight, bullion, etc.

" *Touching the Perils, etc. . . . they are of, etc.*" The risks here enumerated are divided into two classes: (1) *Total loss;* (2) *average.* Both of these will be treated later.

" *Perils of the sea.*" This term does not cover ordinary wear and tear incidental to carriage by sea.

" *Fire* " is a peril insured against provided it does not arise from a cause for which the assured himself is responsible.

" *Men-of-War, enemies,*" includes all damage or loss arising from the hostile acts of an enemy, including capture, one of the most common of hostile acts.

" *Pirates and Rovers.*" These words cover losses from marauders plundering for personal ends, as opposed to persons authorised to do so by Governments.

"*Thieves*" refers to forcible or violent robbery, not mere pilferage which the master's diligence could prevent.

"*Jettison,*" *i.e.* the throwing overboard a part ot the cargo or other article on board ship, cutting and casting away masts, etc., for the purpose of lightening a ship in case of necessity; but cargo jettisoned because of "inherent vice," *e.g.* a cargo of fruit that has become rotten through a protracted voyage, is not included in the meaning of this word.

"*Letters of Mart and Countermart,*" sometimes termed *Letters of Marque*, is a commission granted by Governments empowering the holders to make reprisals on an enemy's shipping for losses inflicted on the ships of the country granting the letters.

"*Letters of Countermart*" were a kind of answer to "letters of mart," authorising resistance to holders of "letters of mart."

"*Surprisals and Takings at Sea.*" These words are synonymous with the word "Capture."

"*Arrests, Restraints, Detainments, etc. . . . conditions or quality soever.*" The words arrests, restraints, and detainments appear to be synonymous in meaning.

"*Barratry of the Master and Mariners.*' The term "Barratry" includes every wrongful act wilfully committed by the master or crew to the prejudice of the owner or charterer of the ship, as the case may be. The act must have been committed without the connivance or privity of the owner or charterer. Examples of barratry are: wrongfully scuttling a ship, running her ashore, setting fire to her, fraudulently selling the ship or cargo and appropriating the proceeds.

"*And of all other perils, etc. . . . merchandise and ship, etc.*" These words do not mean any kind of perils, losses, etc., but only perils, losses, etc., of like kind to those previously specified.

"*And in case, etc. . . . of the sum herein assured.*" This clause is known as the "*Sue and Labour Clause.*" An insured person must act as though he were uninsured, and the underwriters agree that in the event of an insured person incurring any expense to mitigate the loss to which the subject-matter of the insurance is exposed, they (the underwriters) will pay their share in proportion to the amount which their policy or their subscriptions bear to the total insured value—*i.e.* if the whole value is insured under the policy the underwriters will pay the whole of the "sue and labour" charges. General average and salvage do not come within this clause.

"*And it is especially declared, etc. . . . waiver or acceptance of abandonment.*" This is called the "*Waiver*" clause, and is a provision that, in the event of a casualty, either the underwriters or the insured may take such steps or incur such expenses as are contemplated under the sue and labour clause to minimise the loss, without prejudice to the rights of either party.

"*And so we, the assurers . . . at and after the rate of . . .*" In these words the underwriters acknowledge the receipt of the consideration or premium for the risk they undertake. They do not, however, usually receive the premium till some days after the execution of the policy. But the insertion of the words here prevents the underwriters from raising any question relative to the premium—the consideration due to them. If the broker to whom the premium had been paid were to go bankrupt before he had paid it over to the underwriters, the latter, in the event of loss, would have to pay the loss without setting off the premium.

"*N.B. Corn, Fish, Salt, Fruit, etc. . . . or the ship be stranded.*" These words constitute what is called "*the Memorandum,*" and have reference to the limitations of the underwriters' liability in respect of particular average (*see* p. 509).

"*Warranted nevertheless Free of Capture, etc. . . . after Declaration of war.*" This is known as the *F. C. & S.* or *Free of Capture and Seizure Clause.* These risks of Capture, Seizure and Detention are frequently excluded from the contract, especially in war-time, and this clause effects the exclusion. It was originally *attached* to the Policy as an overriding clause, but now appears *printed* in the Policy. If the risks are intended to be borne by the underwriters this part of the Policy is ruled through.

"**Causa Proxima.**" In order that the underwriters should be liable for any loss it is not only necessary that the loss should have arisen from a peril insured against, but also that the peril should have been the *proximate* cause of the loss and that the loss should not have been caused by the fault or misconduct of the insured. It was laid down in the case of *Pink* v. *Fleming* that: "When a result has been brought about by two causes, you must, in Marine Insurance Law, look only to the nearest cause, although the result would, no doubt, not have happened without the remote cause." This principle, namely, that the proximate and not the remote cause is to be looked to in order to determine whether or not the liability attaches to the underwriters is rigorously applied to the contract. Thus a cargo of oranges was insured, warranted free from partial loss or damage unless consequent upon collision. The vessel was in collision, and had to put into port for repairs. To effect the repairs the fruit had to be put into lighters and it was afterwards reloaded. At the end of the ship's destination the fruit was found to be damaged, partly the effect of the lightering and reloading, and partly from its perishable nature. Was the fruit damaged in consequence of the collision or not ? It was decided that the proximate cause of the loss was the handling of the fruit, the remote cause was the collision, and judgment was given for the underwriters.

Actual and Constructive Total Loss. Total losses may be (1) actual ; (2) constructive. Insurance against " total loss only " includes the risk both of actual total loss and constructive total loss.

Actual Total Loss occurs where the subject-matter insured is destroyed or so damaged as to cease to be a thing of the kind insured, or where the insured is irretrievably deprived thereof.

Samples of actual total loss are : (1) Hides so damaged by sea-water as to become putrid and valueless as hides ; (2) Foundering at sea ; (3) A vessel posted at Lloyd's " as missing."

Constructive Total Loss occurs when the subject-matter insured is reasonably abandoned on account of its actual total loss appearing to be unavoidable, or because it could not be preserved from actual loss without an expenditure which would exceed its value when preserved. Examples are : (1) When the insured is deprived of his ship or goods by a peril insured against, and the cost of recovering them would be more than the value when recovered, or when it is unlikely that the ship or goods can be recovered ; (2) when, in the case of damage to a ship, the cost of repairing the damage would be more than the worth of the ship when repaired ; (3) when, in the case of damage to goods, the cost of reconditioning and of forwarding the goods to their destination would exceed their value on arrival ; (4) when, in the case of freight, the ship or goods are so damaged by a peril insured against that an actual loss of the freight can only be prevented by incurring an expenditure exceeding in amount the freight that would thereby be earned.

Take the following example :

If the estimated cost of repairing a stranded ship be	£7000
And the estimated proportion of expenses getting her off the rocks and into a port of safety be	£3000
Total Expenses	£10,000
And the value of the ship when repaired would be	£9000

There is a clear case here of Constructive Total Loss of ship. In ascertaining whether or not there is a claim for Constructive Total Loss of ship the insured value is taken as the repaired value. This is provided for by the "*Valuation Clause.*" If, in the above example, the insured value had been taken as the repaired value and the insured value were £11,000 there would have been no claim for Constructive Total Loss.

Ship's Protest. In the case of a claim for Actual Total Loss, where any of the crew are saved, the claim must be supported by a detailed account of the casualty, and sworn before a Notary or Consul. In the case of goods the Invoice and Bills of Lading relating thereto are required by the underwriter as evidence that the insurance was *bona fide*, and the goods actually on board. The Policy must also be produced, and is usually retained by the underwriter after he has settled the claim.

Notice of Abandonment. In the case of Constructive Total Loss the insured must give the underwriter notice of abandonment. An abandonment is the surrendering to the underwriter of the interest of the insured in whatever may remain of the subject-matter of the insurance, together with all proprietary rights incidental thereto, at the same time claiming from him a total loss. No special form of wording is required for the Notice, but it is usual for the word "abandon" to appear in it. The following is a common form:

> "The s.s. having, as is reported, been wrecked off Dungeness, I hereby abandon to the underwriters my interest in the 5 Cases Woollens, shipped in the same vessel, and claim payment from you in respect of the insurance of £150 on the said goods." (Addressed to the Insurance Broker.)

The notice of abandonment must be given immediately the insured is in possession of sufficient details of the happening of the casualty to enable him to form an opinion of the situation. If the underwriter accepts the abandonment he pays a total loss, and realises what he can on the property abandoned. But he usually declines, and the insured must then legalise the abandonment by issuing a writ against the underwriter, and it is the state of things existing at the time the writ is issued which determines whether or not a Constructive Total Loss has occurred. As a rule, an underwriter upon declining to accept total abandonment agrees to place the insured in the same position as if a writ had been issued at the time he makes his refusal, although the writ could not be issued until after the refusal had been known to the insured

PARTICULAR AVERAGE

A vessel may meet with violent weather, and sustain serious damage from the heavy seas. Such damage is a Particular Average on ship. If during the heavy weather water got into the hold and damaged the cargo, the damage is Particular Average on cargo. Further, if the cargo were sugar and the sea water caused, say, a quarter of it to dissolve, the shipowner would lose a quarter of the freight. Such loss is Particular Average on freight.

Particular Average on Ship. The underwriter's liability in this case is the actual cost of repairing the damage, less deductions because of his using new material to replace old (one-third or one-sixth, as the case may be), unless, as is now usual, the policy provides that the Average shall be paid in full without deduction " new for old." In settling claims for Particular Average on ship, no attention is paid to the insured value of the vessel. The reasonable, actual outlay for repairs is the basis of the claim, provided of course the outlay does not exceed the insured value. The repairs must be prudently effected and at reasonable cost—the total amount for which the underwriters are liable, being determined by reference to, and rigorous scrutiny of, the repair bills. The underwriter is not liable for ordinary wear and tear.

Particular Average on Cargo. When cargo arrives partially damaged by perils insured against the depreciation is assessed: (1) by brokers who give certificates stating the nature of the damage, and the value that the goods would have had if they had arrived sound, and the value they possess damaged, or (2) the depreciation is expressed at so much per cent., or (3) it is ascertained by public auction of the damaged goods. The difference between the gross sound value and the gross proceeds is the amount of the depreciation, and is usually shown as a percentage of the sound value. The gross values are taken so as to avoid the influence of market fluctuations on the amount of the loss, and because, if the net values were compared, the ratio of depreciation would be greater in the case of the net than in the case of the gross value (*see* example given on p. 510).

In the case of Particular Average on ship the insured value of the ship is not taken into account, but in the case of Particular Average on cargo the insured value of the cargo is taken into account. If, in the case overleaf, the goods had been insured for £100 the underwriter would have been liable for 50 per cent. of £100 = £50. If, however, the goods had only been insured for £80 the underwriter would not have been liable for more than £40.

When a shipment, say, of 100 bales wool, is insured for £1000 and valued in the policy at £10 per bale, the insured value of each bale is apparent, but if the wool had been valued at £1000 and 5 bales only were damaged, the insured value of the 5 bales is ascertained by a comparison of the invoice values, or the realised values disclosed by the Account Sales, with the insured value, on the basis of a rule of three sum.

Gross.		*Net.*	
Gross sound value	£100	Gross sound value	£100
,, proceeds	50	Less charges	10
Loss	£50		£90
Depreciation 50 per cent.		Gross proceeds	£50
		Less charges	10
			£40
		Loss	£50
		Depreciation 55½ per cent. on net sound value of £90.	

Particular Average on Freight. Freight is the money payable for the hire of a vessel, or for the conveyance of cargo from one port to another. Freight obviously cannot depreciate in value as can a vessel or goods. Therefore there must be a partial loss of it to constitute particular average on freight. English law, differing from the law of most foreign nations, does not recognise *pro rata* or "distance" freight, *i.e.* freight proportionate to the mileage actually accomplished on the voyage; and where a shipowner is prevented from delivering the cargo at the port of destination, he cannot require the shipper to pay anything for the portion of the voyage which the vessel has performed. When freight is payable in advance the shipowner has no insurable interest in it. But the merchant or charterer who paid it has. Hence, when a merchant insures goods he includes a valuation of the freight he has paid in advance. The fact of this inclusion should, as a rule, be indicated in the policy by some such wording as "On goods valued at £   (including £   advanced freight)." When the insured value includes advanced freight, the Courts treat the Policy as being "on goods" and not separately "on goods and freight."

The Memorandum. "*N.B. Corn, Fish . . . or the ship be* *stranded.*" The Memorandum provides a minimum limit to the underwriter's liability in respect of claims for Particular Average, unless the ship be stranded; and it has become usual to add thereto the words, " sunk or burnt," and sometimes also the words, " or on fire, or the damage be caused by collision with another ship, or vessel." The object of the Memorandum is to exempt underwriters from a crop of small claims for Particular Average in respect of deterioration or damage, which may very possibly have arisen not from a peril insured against but from " wear and tear," the nature of the goods carried, or through negligence on the part of the shippers. The percentages mentioned in the Memorandum are not the same as the " Franchises " in continental insurances, because the underwriter pays the whole of the loss if it exceed the stipulated percentages, not merely the excess of the percentage as in the case of a " Franchise." The articles mentioned are to be understood in their mercantile sense. The word " Corn " includes Peas, Beans and Malt, but it does not include Rice. Salt does not include Saltpetre. Average in " average unless general " means Particular Average. " Unless " = except—so that the last part of the Memorandum may be expressed as follows: " And all other goods, also the ship and freight, are warranted free from particular average under three pounds per cent., except general average, or unless the ship be stranded."

Stranding. A vessel is stranded when she comes in contact with the ground or other obstruction and remains hard and fast upon it. The grounding must be accidental and unusual. If a vessel takes the ground in an accustomed place and manner, *e.g.* in a tidal harbour, there is no stranding. It must be in an unusual place and in an unusual manner. Also the vessel must remain hard and fast upon the obstruction.

Sunk or Burnt. These words are sometimes added after the word " Stranded." The word sunk is a surplusage, for every sunk ship is a stranded ship. *Burnt* means that the burning must be of such an extent that the vessel must be considered a burnt ship, and not a mere technical burning, *e.g.* the burning of a few beams. The words " or on fire " are sometimes added to the word " Burnt " to mitigate the strictness of this exception.

" *Or in Collision.*" The collision must be with another vessel and not with dock gates and the like.

Average Clauses, Series, and Separate Valuations. The percentages mentioned in the Memorandum are low, but in cases of vessels of high value and of valuable cargoes the loss would have to be considerable in amount to exceed the percentages, *e.g.* a vessel valued at £100,000 would have to incur damage to the extent of £3000 before a claim would be entertained, and so also with a cargo of one kind comprised under one valuation. In order to lessen the severity in this respect provisos were inserted in Policies on hulls, etc., for separate valuation of the hull, machinery, fittings, etc., average being "payable on each valuation separately or on the whole." Similarly cargoes were considered to be divided into smaller divisions known as *series*, and if the damage on any series exceed the percentage the Average is payable on that series. The average clause varies with the goods insured, *e.g.* cotton pays average on every 10 bales; tea on each 10 chests, 20 ½-chests, or 40 boxes; wool from Australia on each bale; indigo on each package; cocoa on 10 bags, etc. The average clause usually stipulates that "series" shall be computed on the basis of "following landing numbers," *i.e.* the order in which they are landed. Usually, however, the damaged packages are set aside when landing cargo, and all appear together at the end of the dock landing account. Where a shipment is not exactly divisible into complete sets of series, *e.g.* 53 bags of cocoa, the last series, called a *tail series*, would consist of 3 bags only. This tail series is considered as a complete series, and, if the percentage of loss on the 3 bags reached the required limit, average would be payable through the required percentage on 10 bags had not been reached.

GENERAL AVERAGE

General Average is independent of Marine Insurance. It formed part of the Rhodian Law, and was in existence centuries before Marine Insurance came into vogue. When any extraordinary sacrifice or expenditure is voluntarily and reasonably made or incurred in time of peril for the purpose of preserving the property imperilled in the common adventure, it is termed a *General Average Act*, and when a General Average Act takes place the loss caused directly or indirectly thereby is termed a *General Average Loss*. Whenever a General Average Loss occurs the party on whom it falls is, subject to the conditions imposed by maritime law, entitled to a rateable contribution from the other parties interested in the adventure, and such a contribution is called a *General Average Contribution*.

Essential Features. The losses occasioning General Average Contributions are of two kinds: (1) Sacrifice of Property, (2) Expenditure. The essential features necessary to a General Average

Contribution are: (1) The loss must be voluntary, *i.e.* intentional on the part of man and not accidental; (2) it must be reasonably and prudently made; (3) extraordinary in its nature; (4) it must be made with no other and no less an object than the securing of the common safety of ship and cargo; (5) the loss must be the direct result of the consequence of a General Average act. Examples of General Average Loss are:

(1) **Sacrifice of Ship.** The voluntary destruction by the Master of any part of the ship, or the putting of her appurtenances or appliances to a use for which they were not intended at the risk of destroying or injuring them, *e.g.* using a sail to stop a leak, cutting away masts and spars, scuttling a vessel to admit water in order to extinguish fire. *Amount to be made good* (*Ship*). The reasonable cost of repairs less (if any) usual deductions "new for old."

(2) **Sacrifice of Cargo and Freight.** Jettison of cargo, cargo burnt for fuel when the coal supply has run out, provided the original supply of coal was sufficient for the voyage. When the sacrifice of cargo involves a loss of freight, the freight so lost is made good in General Average. *Amount to be made good* (*Cargo*). The amount to be made good is the net value which the goods jettisoned or sacrificed would have had on the day of discharge at the port of destination if they had arrived there, less the expenses which would have been incurred on arrival of the goods, *e.g.* freight, discount, duty, landing and sale charges. But when the goods remaining on board arrive at the port of destination in a damaged condition, owing to causes which would have equally affected the jettisoned goods had they not been sacrificed, then the allowance in General Average is based on the estimated value the goods would have realised at destination damaged to the same extent as the other cargo, and the amount to be made good on damaged goods is ascertained by comparing the net proceeds with the net proceeds they would have realised had they been sound. *Amount to be made good* (*Freight*). Prepaid freight is merged in the value of the goods. The amount to be allowed is the gross freight which would have been earned had the goods not been sacrificed, less those charges which the shipowner would have incurred to earn the freight, but which in consequence of the sacrifice he has not incurred.

Expenditure. All extraordinary expenditure properly incurred in time of peril for the joint preservation of ship and cargo is subject to G/A contribution, *e.g.* expense of putting into port for the common safety, towage, port charges, pilotage, harbour dues, discharging cargo in order to effect repairs, cost of reloading, shore labour, if necessary. A vessel may have to put into port for two reasons: (1) Through accident, *e.g.* the loss of a propeller—a P/A loss, or (2) through a sacrifice, *e.g.* the breaking of a propeller and damage to machinery caused by working engines in order to refloat a stranded vessel—a G/A sacrifice. If the vessel seek port on account of a P/A loss the cost of putting into port, and, if necessary, of discharging cargo to effect repairs, *i.e.* the expenses necessary to attain safety, are allowed in G/A, but warehouse rent of cargo is a particular charge on cargo, and outward port charges a particular charge on freight, because these expenses would have been incurred after safety had been secured.

In the case of a G/A sacrifice *all* expenses are allowed. English law in this respect differs from Continental law—English law recognising the "attainment of safety," Continental law, "completion of the adventure," or "general benefit."

Substituted Expenses. It may happen that a vessel which has sought a port of safety as the result of a P/A loss could be towed to her port of destination at a less cost than would be involved in discharging, warehousing and reloading her cargo in order to effect the necessary repairs at the port of refuge. If in such a case a master prudently decided upon towing, the expenses of towing and getting the vessel to her destination, termed *substituted expenses*, would take the place in G/A of the expenses that would have been incurred had the vessel been repaired in the port of refuge, and such expenses would be apportioned in the same ratio as the expenditure in connection with the alternative course would have been borne had it been incurred, *e.g.*

If the inward port charges and cost of discharging cargo to repair ship—a G/A charge—would have amounted to . .	£500
Warehouse rent of cargo during repair—a special charge on cargo to . . .	200
And the cost of reloading cargo and outward port charges—a special charge on freight, to	500
Total	£1200

And towing had been prudently resorted to at a cost of £240 or ⅕ of the above charges, then the £240 would be apportioned in the same ratio as the £1200, viz.

G/A	£500	will bear	£100	substituted	expenses
Cargo (special charge) . .	200	,,	40	,,	,,
Freight (special charge) . .	500	,,	100	,,	,,
	£1200		£240		

Substituted expenses would not be justified unless they resulted in a saving of expense, or if they devolved upon the shipowner by reason of his obligation under the contract of affreightment.

Raising Funds. The incurring of expenditure at a port of refuge necessitates the raising of funds. In these days of extended telephonic and telegraphic facilities a master is practically always in touch with his owners, and funds can be cabled from one end of the world to the other. Only actual out-of-pocket expenses reasonably incurred for interest and commission for advancing funds are allowed in G/A. A master, if no other means of raising funds is open to him, may resort to a forced sale of cargo. If cargo be rightly sold at a port of refuge the owner of the goods is entitled to the net proceeds, and if the net proceeds be less than they would have been had the goods been carried to their destination and there sold, he is entitled to the difference, *i.e.* he is entitled to any profit on the sale, and he is not to suffer any loss.

Bottomry and Respondentia. These transactions, owing to facilities for rapid communication, are rarely heard of nowadays, but formerly they were not uncommon. They are old-time methods of raising money by practically pawning the ship and cargo in the case of Bottomry, and of the cargo only in the case of Respondentia—the sums thus advanced being payable to the lender an agreed number of days after the arrival of the ship at her destination, as specified in the formal document called, as the case may be, either a *Bottomry* or a *Respondentia Bond.* If the vessel be lost the lender loses his money, as it is repayable on condition that the ship and/or her cargo arrive. Respondentia is only justified when all other means of raising money, short of selling the cargo, have been exhausted.

Losses and Expenses not allowed in G/A. By English law expenses are not allowed in G/A if (1) the danger necessitating the sacrifice arises from the fault of the shipowner, *e.g.* through the ship being unseaworthy at the beginning of the voyage, or through the negligence of the master or crew, unless he be specially protected against negligence by the terms of the contract of affreightment; (2) if the expense is one which devolves upon the shipowner by reason of his obligations under the affreightment, *e.g.* wages and maintenance of crew at a port of refuge, coal consumed whilst bearing up for a port of refuge, loss by press of sail in keeping off a lee shore, etc.; (3) if the loss is attributable to the actual fault of the shippers of the cargo, *e.g.* if hemp is wrongfully shipped in a damp state, and through becoming heated it is necessary to jettison it to prevent fire; (4) if no loss has been sustained in consequence of the sacrifice. If there has been no loss sustained there can be no sacrifice, *e.g.* cutting away in a storm a mast which had previously been reduced to a state of wreck by perils of the sea; (5) if the loss or expense is not a direct consequence of a G/A act, *e.g.* destruction of cargo by fire at a port of refuge after it has been discharged and put in a place of safety.

The Adjustment. The preparation of a G/A statement of claim is termed the Adjustment. The adjustment of G/A claims is the work of a special class of professional men known as *Average Adjusters*. The Adjustment of the contributions due is made at the termination of the voyage, and the law governing the adjustment is, in the absence of any contrary provision in the contract of affreightment, the law obtaining at the port of destination. But if the voyage had been broken up at an intermediate port the law governing the adjustment is the law of that port. A shipowner has a lien on the cargo for the contributions due in respect of G/A. In trifling cases he releases the cargo to the consignees on their signing an *Average Bond*—a document in which they agree to pay such amount of G/A as shall be found to be due, and to furnish him, when required, with all available particulars of the value of their cargo necessary for the accurate assessment of the amount. If the G/A is of large amount the shipowner enforces his lien by collecting a *G/A deposit* which is paid into the bank in the name of two trustees—one appointed by the shipowner, and one by the consignees of the cargo. In exchange for the G/A deposit the shipowner gives the consignees a *Deposit Receipt*. Nowadays a shipowner frequently releases the goods on the guarantee by the underwriter that the G/A contributions will be paid.

Contributing Interests. A G/A sacrifice is made for the benefit of all interested in the ship, the freight, or the cargo. Hence the owners of the ship contribute to G/A on the value of the ship in the condition in which she arrives at her destination, or at an intermediate port if the voyage be broken up. The receivers of freight contribute on the net amount of freight saved by the sacrifice, *i.e.* the amount of the freight at the risk of the shipowner less such expenses of earning it as would have been saved if the vessel had been lost at the time of the sacrifice. The contributions applying to freight at risk are paid by the shipowner. Freight paid in advance is considered an increase in the value of cargo, and the contribution is borne by the owners of the cargo. The owners of the cargo contribute on its net value arrived at the port of destination, after deduction of freight (if any) payable on delivery, or its net value at the intermediate port if the voyage be broken up. In the case of a ship in ballast proceeding to load under charter, the contributing interests are : the owners of the ship and the freight to be earned under the charter.

Amounts made good contribute. It must be borne in mind that the amounts made good in G/A themselves contribute to G/A. The owners of the goods sacrificed are placed in the same position in respect of loss as the owners of the goods saved, *i.e.* the owners of the goods sacrificed are treated for the purpose of G/A contributions just as if their goods had been saved, *e.g.* if cargo value £1000 including freight paid in advance, be jettisoned, and the value of the ship, freight and cargo saved by the jettison be £9000, the amount to be made good by G/A is £1000, to which not only the £9000 (value of property saved) but the £1000 (value of property jettisoned) must contribute. Hence the property saved will contribute $\frac{9}{10}$ of the £1000 = £900 and the owner of the property jettisoned $\frac{1}{10}$ = £100. The owner of the jettisoned cargo will consequently receive not £1000 but £900.

General Average and Marine Insurance. When a G/A sacrifice has been made, the underwriters who have insured the property sacrificed are liable to the insured for the insured value of the property, and on payment are entitled to G/A compensation less any contribution attaching thereto. They are also liable for the G/A damage, the loss in the case of cargo and freight being assessed on the insured value in the same manner as P/A, any question of insured value being disregarded in the case of hull. An underwriter is also liable to make good contributions to G/A, but, in this case, the insured value of the property is taken into account, *e.g.* if goods value £1000 have to pay a G/A contribution of £100, and the goods were insured for £1000 or more, the underwriter would have to pay the full £100, but if the goods had been insured for £900 only he would not pay the full £100 but $\frac{9}{10}$ of it, viz. £90. He thus pays in the proportion which the insured value bears to the contributory value.

Salvage is the reward paid, under maritime law, to a salvor for saving or helping to save property at sea, or property and life conjointly. The word is also used to express the property saved. A salvor has a lien on the property he has saved as security for the reward of his services, or if the property is not in his possession he has a *maritime lien*, *i.e.* a claim he can enforce by legal process in the Court of Admiralty. No claim for salvage can arise (1) unless the services of the salvor were successful, or of material benefit in salving a vessel, or (2) if the salvors were persons interested in the adventure. Salvage claims are more often than not adjusted in the Law Courts, the amount awarded being called a *Salvage Award*. In recovering salvage claims from the underwriter, the insured value is taken into account just as in the case of the recovery of G/A contributions.

Subrogation is the right by which an underwriter on settling a loss is enabled to acquire the rights and remedies belonging to the assured in respect of the said loss, *e.g.* if a ship posted at Lloyd's as "missing" should subsequently arrive, the underwriter who has paid a total loss on her hull becomes the owner of the vessel. Again, when goods are jettisoned for the general safety, and the underwriter pays a total loss, he stands in the same relation to the goods as the assured, and is entitled to G/A compensation for the jettison.

Expressed Warranties. "Implied" warranties have already been mentioned. An *expressed warranty* is a condition of the contract expressed in the policy, absolute compliance with which is essential to the validity of the contract. Examples: "Warranted to sail on or before a certain date"; "Warranted no Iron or Ore"; "Warranted part value uninsured." Two good examples which have been already explained are the Free of Capture and Seizure Clause and the Memorandum.

F.P.A. Clause. Free of Particular Average is one of the most common warranty clauses in Marine Insurance policies. It runs thus:

> "Warranted free from particular average unless the vessel or craft be stranded, sunk or burnt, each craft or lighter being deemed a separate insurance. Underwriters, notwithstanding this warranty, to pay for any damage or loss caused by collision with any other ship or craft, and any special charges for warehouse rent, re-shipping, or forwarding, for which they would otherwise be liable. Also to pay the insured value of any package or packages which may be totally lost in transhipment."

The effect of this clause is to exclude the underwriter from all liability for claims for P/A, unless the vessel or craft be stranded.

sunk, or burnt, or in collision, or unless any package or packages be totally lost in transhipment. It may be remarked with regard to the words " any special charges . . . liable " that special charges are only recoverable from the underwriter if the charges have been incurred to avert or minimise a loss for which he is responsible.

They have, therefore, been inserted in the F.P.A. clause as a kind of act of grace to mitigate its severity. Another warranty clause is the *F.A.A.* clause or *Free of all Average,* which exempts the underwriter from liability both from P/A and G/A.

Foreign General Average (F.G.A.). The student has seen that statements of average are made up in conformity either with (1) the law of the port of destination, or (2) the law of the intermediate port, if the voyage be broken up. The law varies considerably in different countries, and consequently the amount which the underwriter would be called upon to pay might be greater under Foreign than under British law. That there may be no doubt about the underwriter's liability to pay G/A made up according to foreign law the following clause is frequently inserted in policies:

> " General Average and salvage charges payable as per official foreign adjustment if so made up, or per York-Antwerp Rules, if in accordance with the contract of affreightment."

York-Antwerp Rules. A set of rules relating to G/A and agreed upon by English and Foreign jurists, adjusters, shipowners, merchants, and underwriters as the result of meetings held first at York, subsequently at Antwerp, later at Liverpool in 1890, and most recently at Stockholm in 1924, with a view to the formation of a uniform system of G/A to obviate (1) the restrictions of British Law; and (2) to introduce uniformity of practice in place of the divergency of practice existing in different countries. These Rules are frequently found in bills of lading and charter parties.

Grounding in Suez Canal. It has already been explained that a stranding in Marine Insurance takes place where a vessel not merely touches bottom in an unusual place and manner, but remains hard and fast upon the obstruction. Grounding in the Suez Canal is of very frequent occurrence. Hence a clause is inserted in policies to the effect that " Grounding in the Suez Canal . . . not to be deemed a strand, but underwriters to pay any damage or loss which may be proved to have directly resulted therefrom."

Running Down Clause. It was decided in 1836 that a shipowner could not recover from the underwriter, under the ordinary wording of the policy, damages which he had to pay in case of collision with another vessel, hence a clause, sometimes called the

Running Down Clause, and sometimes the *Collision Clause*, is added as a separate contract worded as follows:

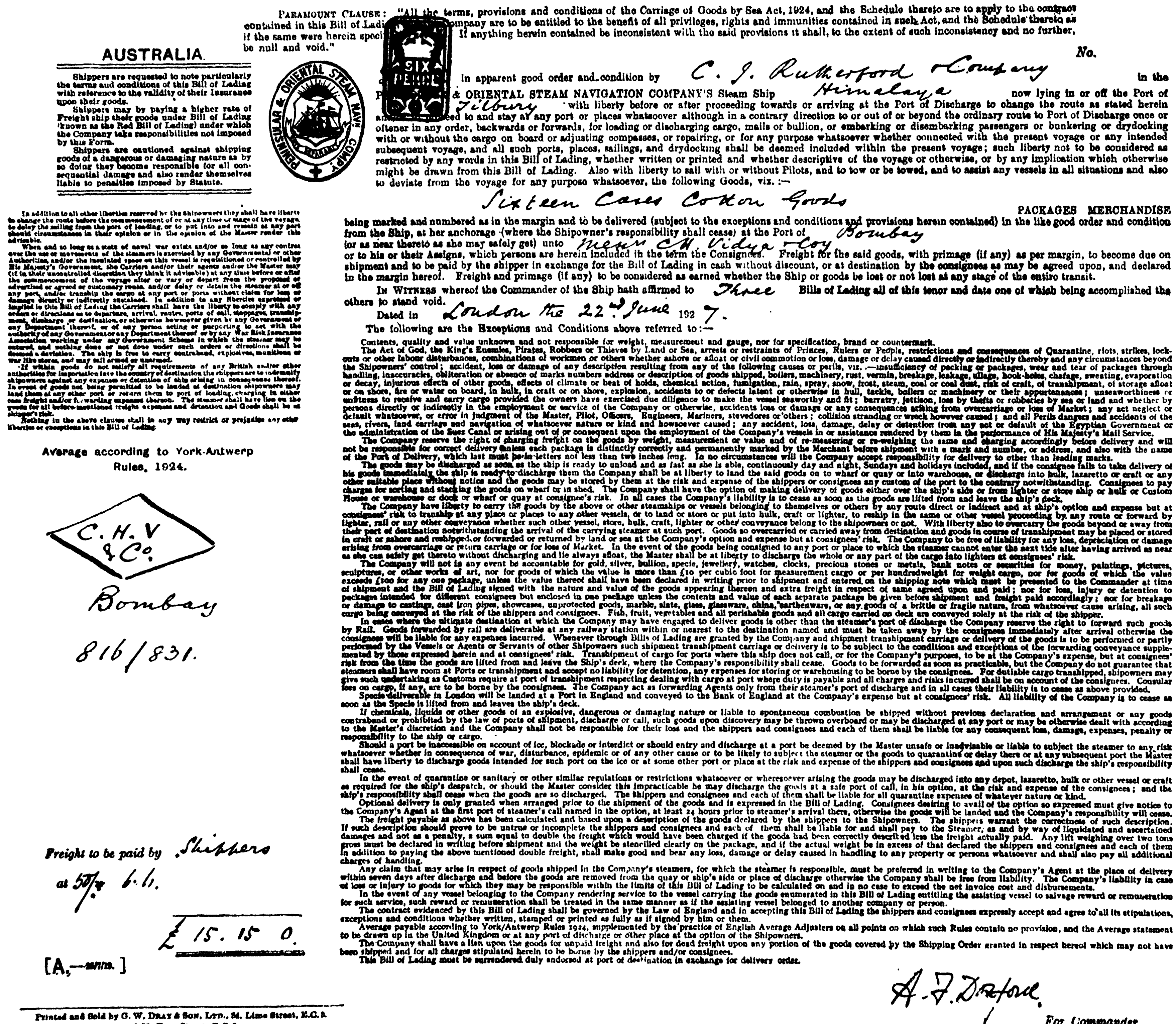
> "And it is further agreed that if the ship hereby insured shall come into collision with any other ship or vessel, and the assured shall in consequence thereof become liable to pay, and shall pay by way of damages to any other person or persons any sum or sums not exceeding in respect of any one such collision the value of the ship insured, this Company will pay the assured such proportion of three-fourths of such sum or sums so paid as its subscription bears to the value of the ship hereby insured."

Limitation of Liability. By the common law of England a shipowner is liable for the full amount of loss or damage to property, and for loss of life or personal injury, whether in his own or other vessels through collision with them. But by the Merchant Shipping Act, 1894, if the loss or damage occur without the actual fault or privity of the owner, then the owner is not liable beyond the following amounts: (1) In respect of loss of life or personal injury together with loss of or damage to vessels, goods, or merchandise, an aggregate amount not exceeding £15 per ton of the ship's tonnage, and (2) in respect of loss or damage to vessels, goods or merchandise, whether there be in addition loss of life or personal injury or not, an aggregate amount not exceeding £8 for each ton of the ship's tonnage. If the owner of the wrong-doing vessel desire to avail himself of this Act he must, with the consent of the underwriter, apply to the Court for permission to do so. This is called a *Limitation Suit*. When both vessels are to blame each vessel is liable to make good the damage or loss in proportion to the degree in which she was in fault, unless it is impossible, having regard to all the circumstances, to establish different degrees of fault, in which case the liability must be apportioned equally (Maritime Conventions Act, 1911, S. 1).

The Merchant Shipping Act, 1894, has also further limited the shipowner's liability in the following cases:

(1) The owner of a British sea-going ship is not liable to make good any loss or damage caused by fire on board the ship unless it be due to the owner's privity or fault.

(2) The owner shall incur no liability whatever where any gold, silver, diamonds, or other precious stones taken on board are lost or damaged by reason of any robbery, or embezzlement, or making away with the same, unless the true nature and value of such articles were declared in writing at the time of shipment.



PARAMOUNT CLAUSE: "All the terms, provisions and conditions of the Carriage of Goods by Sea Act, 1924, and the Schedule thereto are to apply to the contract contained in this Bill of Ladi[illegible]ompany are to be entitled to the benefit of all privileges, rights and immunities contained in such Act, and the Schedule thereto as if the same were herein speci[illegible] If anything herein contained be inconsistent with the said provisions it shall, to the extent of such inconsistency and no further, be null and void."

SIX PENCE

AUSTRALIA.

Shippers are requested to note particularly the terms and conditions of this Bill of Lading with reference to the validity of their Insurance upon their goods.

Shippers may by paying a higher rate of Freight ship their goods under Bill of Lading (known as the Red Bill of Lading) under which the Company take responsibilities not imposed by this Form.

Shippers are cautioned against shipping goods of a dangerous or damaging nature as by so doing they become responsible for all consequential damage and also render themselves liable to penalties imposed by Statute.

No.

[illegible] in apparent good order and condition by C. J. Rutherford & Company in the P[illegible] & ORIENTAL STEAM NAVIGATION COMPANY'S Steam Ship Himalaya now lying in or off the Port of Tilbury with liberty before or after proceeding towards or arriving at the Port of Discharge to change the route as stated herein an[illegible]ed to and stay at any port or places whatsoever although in a contrary direction to or out of or beyond the ordinary route to Port of Discharge once or oftener in any order, backwards or forwards, for loading or discharging cargo, mails or bullion, or embarking or disembarking passengers or bunkering or drydocking with or without the cargo on board or adjusting compasses, or repairing, or for any purpose whatsoever whether connected with the present voyage or any intended subsequent voyage, and all such ports, places, sailings, and drydocking shall be deemed included within the present voyage; such liberty not to be considered as restricted by any words in this Bill of Lading, whether written or printed and whether descriptive of the voyage or otherwise, or by any implication which otherwise might be drawn from this Bill of Lading. Also with liberty to sail with or without Pilots, and to tow or be towed, and to assist any vessels in all situations and also to deviate from the voyage for any purpose whatsoever, the following Goods, viz.:—

Sixteen Cases Cotton Goods

PACKAGES MERCHANDISE

being marked and numbered as in the margin and to be delivered (subject to the exceptions and conditions and provisions herein contained) in the like good order and condition from the Ship, at her anchorage (where the Shipowner's responsibility shall cease) at the Port of Bombay (or as near thereto as she may safely get) unto Messrs C. H. Vidya & Coy or to his or their Assigns, which persons are herein included in the term the Consignees. Freight for the said goods, with primage (if any) as per margin, to become due on shipment and to be paid by the shipper in exchange for the Bill of Lading in cash without discount, or at destination by the consignees as may be agreed upon, and declared in the margin hereof. Freight and primage (if any) to be considered as earned whether the Ship or goods be lost or not lost at any stage of the entire transit.

IN WITNESS whereof the Commander of the Ship hath affirmed to Three Bills of Lading all of this tenor and date one of which being accomplished the others to stand void.

Dated in London the 22nd June 1927.

The following are the Exceptions and Conditions above referred to:—

Contents, quality and value unknown and not responsible for weight, measurement and gauge, nor for specification, brand or countermark.

The Act of God, the King's Enemies, Pirates, Robbers or Thieves by Land or Sea, arrests or restraints of Princes, Rulers or People, restrictions and consequences of Quarantine, riots, strikes, lock-outs or other labour disturbances, combinations of workmen or others whether ashore or afloat or civil commotion or loss, damage or delay caused directly or indirectly thereby and any circumstances beyond the Shipowners' control; accident, loss or damage of any description resulting from any of the following causes or perils, viz.—insufficiency of packing or packages, wear and tear of packages through handling, inaccuracies, obliteration or absence of marks numbers address or description of goods shipped, boilers, machinery, rust, vermin, breakage, leakage, ullage, hook-holes, chafage, sweating, evaporation or decay, injurious effects of other goods, effects of climate or heat of holds, chemical action, fumigation, rain, spray, snow, frost, steam, coal or coal dust, risk of craft, of transhipment, of storage afloat or on shore, fire or water on board, in hulk, in craft or on shore, explosion, accidents to or defects latent or otherwise in hull, tackle, boilers or machinery or their appurtenances; unseaworthiness or unfitness to receive and carry cargo provided the owners have exercised due diligence to make the vessel seaworthy and fit; barratry, jettison, loss by thefts or robberies by sea or land and whether by persons directly or indirectly in the employment or service of the Company or otherwise, accidents loss or damage or any consequences arising from overcarriage or loss of Market; any act neglect or default whatsoever, or error in judgment of the Master, Pilot, Officers, Engineers, Mariners, stevedores or others; collision stranding or wreck however caused; and all Perils dangers and accidents of the seas, rivers, land carriage and navigation of whatsoever nature or kind and howsoever caused; any accident, loss, damage, delay or detention from any act or default of the Egyptian Government or the administration of the Suez Canal or arising out of or consequent upon the employment of the Company's vessels in or assistance rendered by them in the performance of His Majesty's Mail Service.

The Company reserve the right of charging freight on the goods by weight, measurement or value and of re-measuring or re-weighing the same and charging accordingly before delivery and will not be responsible for correct delivery unless each package is distinctly correctly and permanently marked by the Merchant before shipment with a mark and number, or address, and also with the name of the Port of Delivery, which last must be in letters not less than two inches long. In no circumstances will the Company accept responsibility for delivery to other than leading marks.

The goods may be discharged as soon as the ship is ready to unload and as fast as she is able, continuously day and night, Sundays and holidays included, and if the consignee fails to take delivery of his goods immediately the ship is ready to discharge them the Company shall be at liberty to land the said goods on to wharf or quay or into warehouse, or discharge into hulk, lazaretto or craft or any other suitable place without notice and the goods may be stored by them at the risk and expense of the shippers or consignees any custom of the port to the contrary notwithstanding. Consignees to pay charges for sorting and stacking the goods on wharf or in shed. The Company shall have the option of making delivery of goods either over the ship's side or from lighter or store ship or hulk or Custom House or warehouse or dock or wharf or quay at consignee's risk. In all cases the Company's liability is to cease as soon as the goods are lifted from and leave the ship's deck.

The Company have liberty to carry the goods by the above or other steamships or vessels belonging to themselves or others by any route direct or indirect and at ship's option and expense but at consignees' risk to tranship at any place or places to any other vessels, or to land or store or put into hulk, craft or lighter, to reship in the same or other vessel proceeding by any route or forward by lighter, rail or any other conveyance whether such other vessel, store, hulk, craft, lighter or other conveyance belong to the shipowners or not. With liberty also to overcarry the goods beyond or away from their port of destination notwithstanding the arrival of the carrying steamer at such port. Goods so overcarried or carried away from destination and goods in course of transhipment may be placed or stored in craft or ashore and reshipped or forwarded or returned by land or sea at the Company's option and expense but at consignees' risk. The Company to be free of liability for any loss, depreciation or damage arising from overcarriage or return carriage or for loss of Market. In the event of the goods being consigned to any port or place to which the steamer cannot enter the next tide after having arrived as near as she can safely get thereto without discharging and lie always afloat, the Master shall be at liberty to discharge the whole or any part of the cargo into lighters at consignees' risk.

The Company will not in any event be accountable for gold, silver, bullion, specie, jewellery, watches, clocks, precious stones or metals, bank notes or securities for money, paintings, pictures, sculptures, or other works of art, nor for goods of which the value is more than £10 per cubic foot for measurement cargo or per hundredweight for weight cargo, nor for goods of which the value exceeds £100 for any one package, unless the value thereof shall have been declared in writing prior to shipment and entered on the shipping note which must be presented to the Commander at time of shipment and the Bill of Lading signed with the nature and value of the goods appearing thereon and extra freight in respect of same agreed upon and paid; nor for loss, injury or detention to packages intended for different consignees but enclosed in one package unless the contents and value of each separate package be given before shipment and freight paid accordingly; nor for breakage or damage to castings, cast iron pipes, showcases, unprotected goods, marble, slate, glass, glassware, china, earthenware, or any goods of a brittle or fragile nature, from whatsoever cause arising, all such cargo being conveyed at the risk of the shippers and consignees. Fish, fruit, vegetables and all perishable goods and all cargo carried on deck are conveyed solely at the risk of the shipper.

In cases where the ultimate destination at which the Company may have engaged to deliver goods is other than the steamer's port of discharge the Company reserve the right to forward such goods by Rail. Goods forwarded by rail are deliverable at any railway station within or nearest to the destination named and must be taken away by the consignees immediately after arrival otherwise the consignees will be liable for any expenses incurred. Whenever through Bills of Lading are granted by the Company and shipment transhipment carriage or delivery of the goods is to be performed or partly performed by the Vessels or Agents or Servants of other Shipowners such shipment transhipment carriage or delivery is to be subject to the conditions and exceptions of the forwarding conveyance supplemented by those expressed herein and at consignees' risk. Transhipment of cargo for ports where this ship does not call, or for the Company's purposes, to be at the Company's expense, but at consignees' risk from the time the goods are lifted from and leave the Ship's deck, where the Company's responsibility shall cease. Goods to be forwarded as soon as practicable, but the Company do not guarantee that steamers shall have room at Ports or transhipment and accept no liability for detention, any expenses for storing or warehousing to be borne by the consignees. For dutiable cargo transhipped, shipowners may give such undertaking as Customs require at port of transhipment respecting dealing with cargo at port where duty is payable and all charges and risks incurred shall be on account of the consignees. Consular fees on cargo, if any, are to be borne by the consignees. The Company act as forwarding Agents only from their steamer's port of discharge and in all cases their liability is to cease as above provided.

Specie deliverable in London will be landed at a Port in England and conveyed to the Bank of England at the Company's expense but at consignees' risk. All liability of the Company is to cease as soon as the Specie is lifted from and leaves the ship's deck.

If chemicals, liquids or other goods of an explosive, dangerous or damaging nature or liable to spontaneous combustion be shipped without previous declaration and arrangement or any goods contraband or prohibited by the law of ports of shipment, discharge or call, such goods upon discovery may be thrown overboard or may be discharged at any port or may be otherwise dealt with according to the Master's discretion and the Company shall not be responsible for their loss and the shippers and consignees and each of them shall be liable for any consequent loss, damage, expenses, penalty or responsibility to the ship or cargo.

Should a port be inaccessible on account of ice, blockade or interdict or should entry and discharge at a port be deemed by the Master unsafe or inadvisable or liable to subject the steamer to any risk whatsoever whether in consequence of war, disturbance, epidemic or of any other cause or to be likely to subject the steamer or the goods to quarantine or delay there or at any subsequent port the Master shall have liberty to discharge goods intended for such port on the ice or at some other port or place at the risk and expense of the shippers and consignees and upon such discharge the ship's responsibility shall cease.

In the event of quarantine or sanitary or other similar regulations or restrictions whatsoever or wheresoever arising the goods may be discharged into any depot, lazaretto, hulk or other vessel or craft as required for the ship's despatch, or should the Master consider this impracticable he may discharge the goods at a safe port of call, in his option, at the risk and expense of the consignees; and the ship's responsibility shall cease when the goods are so discharged. The shippers and consignees and each of them shall be liable for all quarantine expenses of whatever nature or kind.

Optional delivery is only granted when arranged prior to the shipment of the goods and is expressed in the Bill of Lading. Consignees desiring to avail of the option so expressed must give notice to the Company's Agent at the first port of steamer's call named in the option, at least 24 hours prior to steamer's arrival there, otherwise the goods will be landed and the Company's responsibility will cease.

The freight payable as above has been calculated and based upon a description of the goods declared by the shippers to the Shipowners. The shippers warrant the correctness of such description. If such description should prove to be untrue or incomplete the shippers and consignees and each of them shall be liable for and shall pay to the Steamer, as and by way of liquidated and ascertained damages and not as a penalty, a sum equal to double the freight which would have been charged if the goods had been correctly described less the freight actually paid. Any lift weighing over two tons gross must be declared in writing before shipment and the weight be stencilled clearly on the package, and if the actual weight be in excess of that declared the shippers and consignees and each of them in addition to paying the above mentioned double freight, shall make good and bear any loss, damage or delay caused in handling to any property or persons whatsoever and shall also pay all additional charges of handling.

Any claim that may arise in respect of goods shipped in the Company's steamers, for which the steamer is responsible, must be preferred in writing to the Company's Agent at the place of delivery within seven days after discharge and before the goods are removed from the quay or ship's side or place of discharge otherwise the Company shall be free from liability. The Company's liability in case of loss or injury to goods for which they may be responsible within the limits of this Bill of Lading to be calculated on and in no case to exceed the net invoice cost and disbursements.

In the event of any vessel belonging to the Company rendering service to the vessel carrying the goods enumerated in this Bill of Lading entitling the assisting vessel to salvage reward or remuneration for such service, such reward or remuneration shall be treated in the same manner as if the assisting vessel belonged to another company or person.

The contract evidenced by this Bill of Lading shall be governed by the Law of England and in accepting this Bill of Lading the shippers and consignees expressly accept and agree to all its stipulations, exceptions and conditions whether written, stamped or printed as fully as if signed by him or them.

Average payable according to York/Antwerp Rules 1924, supplemented by the practice of English Average Adjusters on all points on which such Rules contain no provision, and the Average statement to be drawn up in the United Kingdom or at any port of discharge or other place at the option of the Shipowners.

The Company shall have a lien upon the goods for unpaid freight and also for dead freight upon any portion of the goods covered by the Shipping Order granted in respect hereof which may not have been shipped and for all charges stipulated herein to be borne by the shippers and/or consignees.

This Bill of Lading must be surrendered duly endorsed at port of destination in exchange for delivery order.

A. F. Dreford.

For Commander

In addition to all other liberties reserved by the Shipowners they shall have liberty to change the route before the commencement of or at any time or stage of the voyage, to delay the sailing from the port of loading, or to put into and remain at any port should circumstances in their opinion or in the opinion of the Master render this advisable.

When and so long as a state of naval war exists and/or so long as any control over the use or movements of the steamers is exercised by any Governmental or other Authorities, and/or the insulated space on this vessel is requisitioned or controlled by His Majesty's Government, the Carriers and/or their agents and/or the Master may (if in their uncontrolled discretion they think it advisable) at any time before or after the commencement of the voyage alter or vary or depart from the proposed or advertised or agreed or customary route, and/or delay or detain the steamer at or off any port, and/or tranship the cargo at any port or ports without claim for loss or damage directly or indirectly sustained. In addition to any liberties expressed or implied in this Bill of Lading the Carriers shall have the liberty to comply with any orders or directions as to departure, arrival, routes, ports of call, stoppages, transhipment, discharge or destination, or otherwise howsoever given by any Government or any Department thereof, or of any person acting or purporting to act with the authority of any Government or any Department thereof or by any War Risk Insurance Association working under any Government Scheme in which the steamer may be entered, and nothing done or not done under such orders or directions shall be deemed a deviation. The ship is free to carry contraband, explosives, munitions or war like stores, and may sail armed or unarmed.

If within goods do not satisfy all requirements of any British and/or other authorities for importation into the country of destination the shippers are to indemnify shipowners against any expenses or detention of ship arising in consequence thereof. In event of goods not being permitted to be landed at destination shipowners may land them at any other port or return them to port of loading, charging in either case freight and/or forwarding expenses thereon. The steamer shall have lien on the goods for all before-mentioned freight expenses and detention and Goods shall be at shipper's risk.

Nothing in the above clauses shall in any way restrict or prejudice any other liberties or exceptions in this Bill of Lading.

Average according to York-Antwerp Rules, 1924.

C. H. V & Co.

Bombay

816/831.

Freight to be paid by Shippers

at 50/- 6.6.

£15. 15 0.

[A,—[illegible]]

Printed and Sold by G. W. Dray & Son, Ltd., 54, Lime Street, E.C. 3.

6d.
Stamp.

QUEBRACHO

River Plate Charter-party.

LONDON, 27th November 1924

Owners 1 IT is this day mutually agreed between Gillespie & Durrant owners of the good screw steamer called the "Alberta" of the measurement of 3,200 tons gross and 2,300 tons net register or thereabouts, classed A1 and to be of that class at the time of loading, now at Tilbury

Charterers. 2. And Fife & Woodward of 37 Leadenhall St London E.C. Charterers.

Cargo. 3. That the said Vessel being tight staunch and strong and every way fitted for the intended voyage, shall, with all convenient speed, after discharge of her outward cargo proceed as ordered by the Charterers or their Agents to the undermentioned places, and receive from them a full and complete cargo of Quebracho wood in logs on and under deck to be loaded as follows, viz —

Loading Ports and Destination 4 At one or two safe loading places at Colastine as much cargo as Captain may wish to take there and balance at Puerto Borghi and/or below the bar of Martin Garcia, which cargo the said Charterers bind themselves to ship not exceeding what she can reasonably stow and carry over and above her tackle apparel provisions and furniture (any dunnage or matting necessary being for account of the ship) and being so loaded shall therewith proceed to a safe port in the United Kingdom or on the Continent between Bordeaux and Hamburg, both inclusive (Rouen excluded) or so near thereunto as she can safely get (always afloat) and deliver the cargo on being paid freight, at and after the following rates, viz. —

Freight 5. For cargo loaded at Colastine 21/- s. — d. British Sterling, say: Twenty One Shillings British Sterling

With a reduction of 3s. 6d., say three shillings and sixpence per ton on the quantity loaded at Puerto Borghi and with a further reduction of 2s., say two shillings per ton on the quantity loaded below the bar of Martin Garcia.

All per ton of 2240 lbs. English gross weight delivered.

Payable 6. The freight shall be paid as follows, viz. Sufficient cash for Ship's use, if required by the Master (not exceeding one third of the freight), to be supplied on account of Freight at current rate of exchange, subject to 5 per cent. to cover insurance and other charges, and the balance of Freight on the right and true delivery of the cargo, in cash, if on the Continent, and rate of freight be in Sterling, freight to be paid in cash at current rate of exchange for short bills on London.

Exceptions 7 The Act of God, Perils of the Sea, Fire, Barratry of the Master and Crew, Enemies, Pirates, and Thieves, Arrest and Restraint of Princes, Rulers and People, or Quarantine Restrictions of whatever nature or kind, always excepted during this charter. Collisions, Stranding and other Accidents or Errors of Navigation also excepted, even when occasioned by the Negligence, Default, or Error in judgment of the Pilot, Master, Mariners, or other servants of the Shipowners. The vessel to have liberty to call at any port or ports in any order to take Bunker Coals or other supplies, and to sail without pilots, and to tow and be towed and assist vessels in distress, and to deviate for the purposes of saving life or property. Ship not answerable for losses through explosion, bursting of boilers, breaking of shafts, or any latent defect in machinery or hull not resulting from want of due diligence by the Owners of the Ship or any of them or by the Ship's husband or Manager or Agents.

Other cargo 8. Charterers have the option of shipping wheat maize, linseed, rapeseed and/or other lawful merchandise, in which case freight to be one shilling per ton less for wheat and/or maize, other cargo in full and fair proportion to wheat and/or maize.

Orders and Completion 9 Orders as to port of discharge are to be given to the Master in writing before leaving the Plate. Captain to declare, three days after beginning loading how much cargo shall be loaded at Puerto Borghi and/or below the bar of Martin Garcia.

Ice 10 Should the Steamer be ordered to a Port of Discharge on the Continent or Baltic inaccessible by reason of Ice, the Master shall have the option of waiting until the port is again open, or of proceeding to the nearest safe open port or roadstead (telegraphing his arrival there to consignees) where he shall receive fresh orders for an open and accessible Port of Discharge in the United Kingdom or Continent as above within 24 hours after arrival or lay days to count. If so ordered, the Steamer shall receive the same freight as if she had discharged at the port to which she was originally ordered, but if ordered to a port more than 100 nautical miles distant from such open port or roadstead the freight shall be increased by One Shilling per Ton as above.

Deckload 11 Deckload to be at full freight, but at charterers' risk.

Lightening 12. Steamer to be at liberty to lighten at all bars at her expense and charterers risk.

Shifting 13 Time occupied in shifting between the loading places, also detention by quarantine, not to count as lay days.

Capacity 14 Owners undertake that the steamer shall not load more than 6,000 tons, and not less than 5,500 tons English weight of Quebracho

Clearance 15 The Captain to apply at loading ports to Charterers or their Agents for cargo, and steamer to be cleared at Custom Houses by them, paying a clearance fee of $100 gold once only

Stevedore 16 The cargoes to be brought to and taken from alongside at Charterers' risk and expense. Charterers are to have the option of appointing the Stevedore at loading port only who is to be paid by the Captain, but at not more than current rates for quebracho respectively other cargo

Bills of lading 17 Master to sign Bills of Lading if required, at any rate of Freight, without prejudice to this Charter but at not less than chartered rate or difference to be settled in cash on signing Bills of Lading. Clause 7 of exceptions as above to be embodied in the Bills of Lading

Sawing 18 Captain to have the option of sawing logs to facilitate stowage, but not to a less measurement than 1½ metres.

Option of Baltic 19 Charterers to have the option of ordering the steamer to a direct port in the Baltic, in which case the rate of freight to be 1s. 6d., say one shilling and sixpence extra. If ordered to Russia, the steamer to be free of the usual Russian Address Commission.

Loading time 20 Cargo to be loaded at the rate of two hundred (200) tons per running day Sundays and Holidays excepted (if the ship be not sooner despatched) and time allowed for loading to count 12 hours after notice has been given by the Master in writing to the Charterers or their Agents that the vessel is in readiness to receive cargo, said notice to be given at the first port of loading only, and all time on demurrage over and above said laying days shall be paid for by the Charterers, or their Agents, to the Ship at the rate of fourpence sterling per gross register ton per day

Demurrage. 21 Demurrage at above rate shall be payable for any detention in taking delivery of cargo at the port of discharge.

Despatch Money. 22. Steamer to pay charterers £10 sterling despatch money for each day saved in loading including Sundays and holidays.

Strikes. 23. If the cargo cannot be loaded or discharged by reason of a strike or lockout of any class of workmen essential to the loading or discharge of the cargo, or by reason of fog, frost, floods, and breakdown of machinery, the days for loading or discharging shall not count during the continuance of such strike or lockout. A strike of the shipper's or receiver's men only shall not exonerate him from any demurrage for which he may be liable under this charter, if by the use of reasonable diligence he could have obtained other suitable labour, and in case of any delay by reason of the before-mentioned causes no claim for damage shall be made by the receiver of the cargo, the owners of the ship, or by any other party under this Charter

War 24. If the nation under whose flag the Steamer sails shall be at war, whereby the free navigation of the Steamer is endangered, or in case of blockade or prohibition of export of quebracho, grain and seed from the loading port, this Charter shall be null and void at the last outward port of delivery or at any subsequent period when the difficulty may arise, previous to cargo being shipped.

Average 25. Average, if any, payable according to York-Antwerp rules 1890

Lay Days 26. Lay days not to commence before 28th January 1924 unless Charterers should begin shipping sooner, and should Steamer not be ready by 6 p.m. on 31st January 1924 Charterers to have the option of cancelling this Charter Party, but for the purpose of this clause the preliminary 12 hours' notice of readiness to load stipulated for in Clause 20 shall not be required to be given.

Discharging Port 27 The discharging to be effected according to the custom of the port, but anyhow at not less than as fast as steamer can deliver

Should the steamer be ordered to discharge at a place to which there is not sufficient water for her to get the first tide after arrival without lightening, and lie always afloat, lay days are to count from 48 hours after her arrival at a safe anchorage for similar vessels bound for such place, and any lighterage incurred to enable her to reach the place of discharge is to be at the expense and risk of the receiver of the cargo, any custom of the port or place to the contrary notwithstanding, but time occupied in proceeding from the anchorage to the port of discharge is not to count.

Consignees of the cargo to have the option of receiving by lighters always without detention to the steamer and lighterage, if any, to be at their risk and expense.

If Hamburg Consignees to have the option of ordering the steamer to discharge on the Quay, in which case all Quay dues, if any, are to be for their (consignees') account.

Consignment 28 Steamer to be consigned at Port of Discharge to Owners or their Agents, by whom the vessel is to be reported at the Custom House on the usual terms.

Commission 29 5% per cent. brokerage is due by the Steamer upon freight, primage and demurrage, upon the signing of this Charter to Arbuthnot & Co

Line. 30 The Owner or Master of the Vessel shall have an absolute lien and charge upon cargo and goods laden on board for the recovery and payment of freight and demurrage and all other charges whatsoever. Penalty for non-performance of this agreement estimated amount of freight.

Witness to the Signature of Gillespie & Durrant John Richards, 17 Leadenhall St Gillespie & Durrant

Witness to the Signature of Fife & Woodward Joseph Woods, 37 Leadenhall St Fife & Woodward

Continuation Clause. It may happen that a Time Policy protecting a vessel expires while the vessel is still at sea, or at a port of refuge or of call, or in distress. It is therefore sometimes provided by a clause known as the *Continuation Clause* that in that event "she shall, provided previous notice be given to the underwriters, be held covered at a *pro rata* monthly premium to her port of destination." It has been held that, although by means of such a continuation clause, policies are carried on beyond a period of twelve months they are not void, provided that in addition to the ordinary policy duty a 6*d*. stamp be affixed to the policy; and if at the end of twelve months the policy be extended in accordance with the clause, whether by issue of a new or endorsement of the old policy, such new policy or endorsement must be stamped just as if it were a new insurance altogether.

Re-insurance Clause. An underwriter may accept a risk greater than he thinks prudent to retain. He then re-insures with another underwriter the whole or such portion of the risk as he thinks desirable. A clause is inserted in the policy explaining that it is a re-insurance "subject to the same clauses and conditions as the original policy or policies, and to pay as may be paid thereon." The words "pay as may be paid thereon," *i.e.* on the original policy, assume that the original underwriter only pays claims for which he is legally responsible, and that the loss is one for which the re-insuring underwriter under the term of the re-insurance policy is also liable.

Time Penalty Clause. In policies on chartered freight, *i.e.* the amount paid for the time of a vessel, there is usually inserted a Time Penalty Clause: "Warranted free from any claims consequent on loss of time, whether arising from a peril of the sea or otherwise." The terms of the clause are construed strictly in accordance with the theory of *causa proxima*. For example, the underwriters of chartered freight insured under the Time Penalty Clause have been held not liable for loss of freight when a fire broke out on board the ship, destroying her refrigerating machinery and preventing her from loading her cargo of frozen meat. The loss was ruled to be a loss consequent on "loss of time," though the vessel was damaged by a peril insured against

The subject of Marine Insurance is dealt with ably and at length in "Principles and Practice of Marine Insurance," by F. Templeman (Macdonald & Evans).

TEST PAPER XXXII

1. What is Jettison? Explain in your own language the principles governing General Average and give an example of a General Average Adjustment.

2. In a G/A sacrifice, how are the contributions of ship, freight and cargo determined?

3. What is the effect of the words in Lloyd's Policy: "It shall be lawful for the assured, their factors, servants and assigns to sue, labour and travel for, in and about the defence, safeguard and recovery," &c.?

4. When is a Marine Policy assignable? How may it be assigned?

5. Explain the following: "Deduction new for old"; F. C. & S.; Covering Note; Declarations; Inherent defect.

6. What do you understand by the expression: "To act as if insured"?

7. What difference exists between the English practice and the practice of most other countries as to Port of Refuge expenses in case of an accident to the ship?

8. Comment on the following: "A contract of Marine Insurance is a contract founded on the utmost good faith."

9. What considerations are essential in a G/A contribution?

10. Explain in your own words what is meant by Insurable Interest in Marine Insurance, and mention some of the principal classes of persons who may have such an interest.

11. During a voyage a ship's spar and a portion of the cargo are washed overboard in a storm. Subsequently a mast is cut away and some more cargo thrown overboard to lighten the ship. Insurance on both ship and cargo has been effected F.P.A. What are the rights and liabilities of the shipowner and cargo-owner in each case?

12. Give a list of the documents to be produced by the insured when preparing a claim for a particular average loss.

13. How is the risk determined on ship and on cargo by Lloyd's Policy?

14. What stamps are required on policies of sea insurance? If the policy be effected out of the United Kingdom, when must it be stamped to be enforceable within the United Kingdom?

15. A ship runs short of coal during a voyage, and the captain burns a part of the cargo to enable him to reach a port. How is the loss of cargo made good to its owner?

16. A shipping agent abroad, hearing that the vessel in which goods were shipped has stranded, informs his principal in England of the fact by letter instead of by telegraph. Before the receipt of the letter, the principal insures the goods. Is the underwriter liable? Give your reasons.

17. Explain the following: F.G.A.; Floating Policy; Sea Perils; Short Interest; Express Warranties.

18. Mention cases when the insured is not protected from loss by insuring.

19. What duty devolves upon the captain when he reaches a port, if a sacrifice has occurred during the voyage?

20. In what cases may the whole or part of the premium be returnable?

21. What is the effect of the words "Lost or Not Lost" in a marine policy?

22. You have chartered the steamer Mary Jane to bring over from Rio Janeiro to London, a cargo of 4000 bags of coffee, which you value for the purpose of Insurance at £10,000, and you wish to insure the cargo with an Insurance Company. The terms arranged are £2 10*s*. per £100, F.C.S., F.G.A. Underwriter to pay average on each 30 packages. How would you proceed ?

23. What would you consider to be the essential requisites of a Contract of Marine Insurance ?

24. What does the term " Slip " include in a Marine Policy ?

25. Define a Gaming or Wagering Contract.

26. In what cases is a Breach of Warranty excused ?

27. Where different classes of property are insured under a single valuation, and a loss occurs, how is the valuation apportioned.

28. Give an example of a particular average on freight.

29. Explain the following: Average Statement, Sister Ship Clause, Salvage, Subrogation.

30. If a vessel, through stress of weather, runs into a port of safety, and is there condemned, and the underwriter on freight charters another ship to convey the cargo to its destination, what is the effect of this arrangement on the underwriter on ship ?

31. What do you know of the York-Antwerp Rules ?

32. Where money has been raised on Respondentia, what remedy has the lender ?

33. In adjustment of claims for P/A in a policy on hull in the absence of agreement, what items for repairs or loss are recoverable from insurer without deduction " new for old " ?

34. (1) If a ship sail on a voyage not contemplated ; (2) If she starts on the voyage contemplated but changes her destination, and (3) if she proceeds to her destination by an improper track ; what are the consequences in each case ?

CHAPTER XXIII

LIFE ASSURANCE

I

The Contract. Unlike Marine or Fire Insurance, the contract of Life Assurance is not a contract of indemnity. It is a contract whereby the assurer, in consideration of the payment of the premium by the assured, agrees to pay a specified sum (with a share of profits if the Policy be a participating one) on the occurrence of a stated event in the life of the assured. The event may be (1) the reaching of a certain age, or (2) death ; and the premium may be (1) a sum down, termed a *single premium*, or (2) equivalent annual payments, termed *annual premiums* (half-yearly, quarterly, etc.), to be made during the life, or during a stated part of the life, of the assured.

The Proposal. The first step when entering into a contract of life assurance is to submit a proposal to the company selected upon a form specially issued for the purpose. The proposer must observe the utmost good faith in answering the questions propounded on the form, otherwise the contract will be void. He must not only answer truly the particular questions put, but he must disclose any material facts not covered by the questions which the company ought to know in order to be able to form a precise estimate of the risk. These stipulations apply equally to any agent acting for a proposer as to the proposer himself. The agent is bound to disclose any material fact or facts within his knowledge, even though that knowledge be not shared by the person for whom he is acting. The statements of fact in the proposal form what is termed the *Declaration*, and this declaration is embodied, either expressly or by reference, in the Policy itself. Where facts are unqualified by the addition of the words " to the best of my knowledge and belief," they amount to legal *warranties*. Other statements included in the report of the medical officer who examines on behalf of the company are termed *Representations*. A representation, though it is not a statement of fact, must embody "substantial accuracy." A proposer must name referees to whom the company can apply for information relative to his health and habits. The referees must give their information to the company freely and frankly, and any collusion on their part with the proposer, or any wilfully untrue statement on their part, may involve them in damages should loss occur to the company.

Who may Insure? Any person may insure his own life, or the life of another provided he has an insurable interest in the life. Insurable interest must be of a pecuniary kind, *i.e.* it must be an interest in some right of property *existent* at the time the policy is completed, which would be injuriously affected by the death of that person. Thus one who has stood surety for another in respect of a loan is entitled to insure the life of the person for whom he has gone surety. A mere anticipation of property on the death of a certain person does not constitute a legal interest in that person's life. But if property be left to A provided he survive B, an assurance can be properly effected payable on the death of A if he die before B, in order to render the reversionary interest complete.

Wording of the Policy. In the event of the wording of a policy being susceptible of more than one meaning, that meaning is put upon it which is most favourable to the assured. A company is not bound to pay upon a policy if the assured die by his own hand or at the hands of public justice, unless the policy has been assigned to a third party for valuable consideration. But it is the practice of the companies to pay provided the policy has been in force for a period generally of not less than two years. An innocent mistake in stating the age at the time of proposing does not invalidate a policy, but when discharging the policy the company will make the necessary adjustments, deducting from or adding to the amount payable, according as the age was under- or over-stated at the time of taking out the policy. It is well, therefore, to have the age proved and admitted when the assurance is effected.

Payment of Premium. The premium is usually paid annually in advance, but a company will accept the premium in monthly, quarterly or half-yearly instalments, charging a slightly higher rate for the accommodation. The date of payment is set forth in the policy, and a month's grace is allowed beyond the time stated. Companies usually send out renewal notices to policy-holders, but a policy-holder has no valid excuse for the non-payment of the premium within the time stipulated on the ground that no renewal notice has been received.

Assignment of Policy. A policy may be assigned by the assured to any person for valuable consideration. The term " valuable consideration " is of wide meaning. Thus a policy may be assigned (1) from motives of friendship, or (2) the love of kindred by blood or marriage, (3) for money or money's worth, or (4) under an agreement by which the assignor benefits either by the assignee doing or abstaining from doing any act. The assignment must be in writing, and notice of its execution must be given to the company, who will, on request, furnish the assignee with a receipt of the notice of assignment. The assignment is sometimes contained in a separate document, but sometimes it is by an endorsement upon the policy only. The execution of the assignment should be accompanied by the transfer of the policy to the person in whose favour the assignment is made, or to the agent acting for him. A policy may be wholly assigned, or a mortgage or lien given upon it for a particular sum. Where a policy-holder becomes bankrupt the policy is vested in the trustee, provided he serves notice upon the company issuing the policy; but if the policy be encumbered by a mortgage the trustee can only secure the benefits attaching to the policy after the mortgage has been cleared off. If the policy had been taken out prior to insolvency for the benefit of the debtor's wife, or wife and children, or children only, and so expressed, the trustee would have no power to attach it to the debtor's estate.

Proof of Death. The beneficiaries under the policy must furnish adequate evidence of the death of the insured, as the onus of proof lies upon them. A registrar's certificate is the usual proof furnished. Sometimes it is difficult or impossible definitely to prove death, *e.g.* in the case of a person addicted to travel who has died abroad. After all possible inquiries sufficient to satisfy an ordinary jury have been made, and after a greater or less lapse of time (usually seven years), death is presumed. Upon paying the claim the company is entitled to possession of the policy. But a claim would be paid though the policy had been lost or destroyed, provided indemnities were given by the person or persons to whom the claim was paid, or by other approved persons.

Kinds of Life Offices. Life offices are divided into two classes: (1) mutual offices; (2) proprietary, or rather, mixed offices. A mutual office is one wherein the participating policy-holders themselves form the proprietors, and the whole of the profit is divided amongst them. A proprietary or mixed office is a joint stock company whose profits are divided amongst the shareholders and participating policy-holders in the customary proportion of 10 per cent. and 90 per cent.

Board of Trade Returns. Under the Assurance Companies Act, 1909, all life companies must prepare and submit returns drawn up in accordance with the requirements of the Act. No adequate estimate of the degree to which a particular company is worthy of trust can be inferred from its constitution. There are both mutual and mixed offices which offer equally sound security to the policy-holder. But from these returns the public are enabled to judge the financial standing of any particular company and to deduce the extent of the margin provided for the expenses and creation of profits.

Kinds of Policies. The different kinds of life policies are too numerous for individual mention. The most popular is the *Endowment Assurance Policy* which provides for the payment of a stated sum either on the attainment of a specified age or at previous death. This form of policy thus combines two risks and therefore two premiums—the premium for the temporary assurance and the premium for the endowment on reaching the specified age—consequently the premium is higher than for an ordinary whole life policy.

Next in order is the *Whole Life Policy,* formerly the chief kind of assurance, which provides, as its name shows, the payment of a specified sum at death alone. The premium may be paid (1) in a single sum down, or (2) by equivalent yearly instalments of equal amount, or (3) by a limited number of premiums of larger amount, or (4) by a lower premium during the early years in which the policy is in force and a higher premium thereafter. The policy may be with or without bonus—*i.e.* participation in profits—if with bonus the premium will of course be higher than if without bonus—and the bonus may be added to the sum payable at death, or commuted for an immediate cash payment on declaration of the amount of the bonus, or utilised for the reduction of future premiums and in other modes. Other kinds of policies sometimes taken out are:

Policy upon Joint Lives. A policy may be effected upon the joint lives of two or more partners so that in the event of one of the partners dying, the capital taken out of the firm consequent upon his death may be replaced by the proceeds of the assurance. The premium on such a policy would be paid out of the partnership moneys, and form part of the partnership assets. In the event of the partnership being dissolved, the surrender value of the policy could be distributed amongst the partners in the same way as the other assets.

Policies on the Lives of Children. Parents or guardians (1) in order to provide funds to meet the cost of an expensive education of a child or children under their care, or (2) to start them in business, or (3) to afford them, on attaining their majority, the benefit of a policy of assurance at a very considerably reduced premium, may insure the lives of such children at birth or any infantile age, the sum assured in the case of (1) or (2) being payable on their attaining the age of twenty-one or any subsequent age. In such cases the assurance may be effected on the understanding that should death occur before the stipulated age, the premiums shall either be forfeited or repaid without interest. Such assurances, though legally invalid (a parent or guardian usually has no insurable interest in the lives of the children assured—if, however, an insurable interest exist, the policy is good in law), are nevertheless accepted by the companies, for they are not contrary to public policy, but on the other hand, arise from transparently worthy motives. What are termed "industrial policies" may, however, be taken out by parents on the lives of children and by children on the lives of parents. The amount payable upon such policies is small, and practically only covers the funeral and mourning expenses.

Annuities. The beneficiaries under a life policy, instead of receiving payment of the amount assured in a sum down, may elect to leave the amount in the hands of the company, and receive it in the form of an annuity, *i.e.* a stated yearly sum for the whole or a portion of the life of a single beneficiary, or during the whole of the joint lives of two or more beneficiaries or in any other way that may be arranged. An annuity obviously provides a greater yearly payment than money invested at interest, because on termination of the annuity the capital sum is extinguished. The student is referred to the paragraphs dealing with the National Debt (p. 451) for further explanation of this subject.

II

Theory of Probabilities. The system of Life Assurance is based upon the Theory of Probabilities, which says that (1) in a sufficiently extended series of observations the events under examination will more probably occur in ways proportional to their happening at a single observation than in any other specified proportion: (2) the probability that the events will happen in this proportion may be made to approach nearer and nearer towards certainty by extending the series of observations. The truth of these theories may be mathematically demonstrated, but it is sufficient for the reader to say that their truth has been practically illustrated by the spinning of an evenly balanced coin. In a single spin the chance of a head appearing is exactly half, and in a series of 4040 spins heads appeared in 50·69 per cent. of the spins. In a second series of 12,000 spins heads appeared in 49·84 per cent. of the spins, and in a third series of 24,000 the percentage of heads was 49·95. Applying these theories to life assurance it is clear that the more extended be the series of observations regarding the duration of human life the greater the probability is that the results will disclose a regularity of incidence adequate for practical purposes. In the coin-spinning tests the appearance of a head was not generally followed by the appearance of a tail; frequently a run of heads was followed by a run of tails. But, inasmuch as the totality of heads and tails were practically equal, it follows that the excess of heads at one point was balanced by an excess of tails at another. Now if by the appearance of a head we represent a death, and by the appearance of a tail we represent a survivance, we have an exact parallel in life assurance experience. An excess over the average of claims arising through mortality at one period is compensated by a diminution in the average of claims arising through mortality at another period. Hence an essential element in the scheme is that the excess, over the sum assured, of the premiums paid to the general fund by those who survive, is utilised to redress the deficiency, caused by the premiums of those who die early, falling short of the sum assured.

Mortality Tables. It has been pointed out that the prime requisite for the discovery of any practically fixed scale of mortality is a sufficiency of observations of the ages attained by mankind. An early example of a series of observations is known as the Northampton Table, compiled from Registers in the parish of All Saints, Northampton, for the 46 years 1735–1780. This was followed by the Carlisle Table, the result of two enumerations in the parishes of St. Mary and St. Cuthbert, Carlisle, in 1780 and 1787, compared with the bills of mortality for the 9 years 1779–1787. Then came the several tables embodying the experience of the Equitable Assurance Society—the pioneer of the modern system—in connection with their policy-holders. In 1835 seventeen Assurance Societies contributed the results deduced from the 83,905 policies issued by them. This is known as the Seventeen Offices Table. Later, three English Tables were compiled from the records of the Registrar-General for England and Wales, the first in 1843 and the last in 1884. Then came the tables issued by the Institute of Actuaries—the H^{M} (Healthy Males Table), H^{MF}

(Healthy Females Table), and the H^{m5} (Healthy Males excluding the first 5 years of assurance). The latest Table is the O^{m} (or British offices' experience), which is based upon the most recent observations of assured lives. The extent of the work involved in the compilation of the last Table and its momentary calculations may be judged from the fact that its preparation cost about £10,000.

Adjusting Observations. It is not to be supposed that a Mortality Table exhibits merely the results of the observations themselves. Certain processes have to be applied to the observations to divest them of error (incidental to all collections of statistics) as far as possible, and to correlate them one to another, in order to bring out or express some actual tendency in nature in respect to human mortality.

Weighting. Assume that two persons A and B record the occurrence of an event—both observers being practically of equal skill and accuracy. A states that the event occurred at 11 o'clock, B that it occurred at 2 minutes after eleven, or $11\frac{1}{30}$. Common Sense and Probability (the latter according to Laplace being "organised Common Sense") both accept the exact time as one minute after 11, or $11\frac{1}{60}$—the arithmetical mean of the two times mentioned. The validity of this is obvious, for by fixing upon $11\frac{1}{60}$—the arithmetical mean—we place ourselves so to speak at the same distance from B on the one side as we do from A on the other—thus attaching equal credence to both. But assume, now, that three observers, A, B, and C, of unequal skill record the time respectively as 11, $11\frac{1}{30}$ (two minutes after 11), and $11\frac{1}{15}$ (4 minutes after 11). A's skill is three times that of C, and B's twice that of C. Hence, to obtain the closely true measure of the time we must adopt the system of what is termed "weighting." That is to say, we must credit to A three measures of his time, and to B two measures of his time. The three observations are thus converted into six. Hence for the determination of the correct time out of these discordant records we have the fraction

$$\frac{(3 \times 11) + (2 \times 11\frac{1}{30}) + 11\frac{1}{15}}{6}$$

which works out at about $1\frac{1}{3}$ minutes after 11. The proportionate values attached to different observations are termed "weights." In Life Assurance the weights at each age consist of an adequate number of observations.

Graduation. Suppose a series of observations had been made extending over a number of lives from, say, the age of 30 up to the age of 40. So many would die before reaching the age of 31, so many before reaching the age of 32, and so on up to the limit of 40. If now we take a horizontal base line and divide it into ten parts to represent the ages between 31 and 40 and from these points erect vertical lines upon which we mark off on a uniform scale the number of survivors at the respective ages, and then join the points marked off on these vertical lines, we shall find that the descending line thus obtained does not present the appearance of a flowing curve, but is jagged and irregular. The irregularities thus exhibited being occasioned by errors or disturbing influences, *e.g.* an epidemic or an inadequate number of observations. It will be obvious that the figure enclosed by the part of the base line, the joined line, and any two consecutive vertical lines, will represent the deaths in that interval. A skilled person could, however, smooth out this jagged line and draw a fresh curve running through the jagged line, which would cut off equal portions of the irregularities both above and below the fresh curve. This smooth flowing curve would then represent the general rate of mortality without the fluctuations due to the causes mentioned. This method of graduation is termed the *Graphic Method*, and a diagram this compiled a *graph*. There are other methods, but as these involve complex mathematical processes they cannot be touched upon in a book of this kind. (The student who desires an introduction to the subject of statistics is recommended to procure "An Elementary Manual of Statistics," by Professor A. L. Bowley.)

III

The Formation of the Premium. An able actuary has defined life assurance as a method of equalising the risks of death. But the risks of death lie in the course of nature for each individual person, and it is obvious that no scheme can be devised to make these equal for each. Life Assurance is a co-operative plan by which, while equitably allotting (according to the table of mortality) to each person the proportionate contribution or premium for his age and prospects of life, a community is formed in which those who happen to live long pay rateably for those who happen to die early. As it cannot be foretold which, out of a mass of persons at a given age, will long survive, and which will speedily die, justice is secured all round by fixing the premium according to the observed chances of life for each age. The premium consists of two parts:

(1) The Pure Premium. **(2) The Margin or Loading.**

The *pure premium* is that annual sum which, paid by a number of persons of any given age, and accumulated at compound interest (say 3 per cent.) will amount at death to their various sums assured. The *margin or loading* consists of a number of additions to the pure premium in order to cover commissions paid by life companies to agents for securing business, office management and advertising, and to provide a margin for possible fluctuations in the rate of mortality above that disclosed by the life-tables, and for profits.

We will show briefly, in different ways, how the single and annual premiums for the risk of death are formed ; the investigation where x is employed is a novelty, and has the merit of clearly and directly presenting the process. To save many calculations we assume an age of 100—not that any one would enter an office at that age, but because the extent of computation is reduced. Exactly the same principle of working applies to any early age, but there the series of calculations must extend from that age to the age of the longest liver.

In the O^m Table of Mortality (the collected and most recent experience of British offices) the oldest age at which any person is alive is 102. Hence as no one reaches the age of 103, 103 is termed the " limiting age "of the Table. The O^m Table gives the following figures :

Age.	Number living at each age.	Number dying in the year following each age.
100	7	4
101	3	2
102	1	1

These are read thus : 7 persons survive (out of a given number born) to age 100 ; of these 4 die between the ages 100 and 101, consequently 3 remain alive at age 101, 2 of whom die before reaching 102, the 1 remaining at 102 dying before attaining 103.

We use 3 per cent. as the rate of interest. A single or annual sum of £1 accumulated for 1 year at that rate then amounts to £1·03, *i.e.* we multiply the £1 by 1·03 : at the end of 2 years the original £1 becomes 1 $(£1{\cdot}03)^2$ and so on. Thus the present value of £1 due at the end of 1 year is found by multiplying it by $\frac{1}{1{\cdot}03}$, or if it is due at the end of 2 years, by $\frac{1}{(1{\cdot}03)^2}$ and so on.

(*a*) To find the single premium to be paid by each member aged 100 for an insurance of £1 payable at death,

Let x be the required premium. Then as 7 persons are alive at that age £7 (x) is the total payment required, and with interest this amounts at the end of the first year to £7(x)(1·03).

But at the end of this year 4 deaths occur, and accordingly £4 must be paid. Hence the sum left in hand at the end of the first year is £7(x)(1·03) – £4. (It may be remarked that all these tables assume the claim at death is paid at the *end* of the year in which the death occurs no matter at what period in the year death actually does occur.) We start the second year with £7(x)(1·03) – £4, which with interest amounts at the end of the year to £7(x)(1·03) – £4, multiplied by 1·03, or

$$£7(x)(1{\cdot}03)^2 - £4(1{\cdot}03).$$

The two deaths in the second year reduce this fund to

$$£7(x)(1{\cdot}03)^2 - £4(1{\cdot}03) - £2$$

which at the end of the third year has accumulated to

$$£7(x)(1{\cdot}03)^3 - £4(1{\cdot}03)^2 - £2(1{\cdot}03).$$

Then the last death occurs and the last £1 becomes payable. Obviously the amount in hand at the end of the third year must be exactly equal to the £1 which has to be paid. Hence we have the equation $£7(x)(1{\cdot}03)^3 - 4(1{\cdot}03)^2 - 2(1{\cdot}03) = 1$, and numerically expressing the equation we get:

$$x(7{\cdot}649089) - 4{\cdot}2436 - 2{\cdot}06 = 1$$

whence x is found to be £·9548, which is the single premium which each of the 7 persons living at age 100 must pay down in order that as they die £1 may be paid at each death.

(*b*) We may also work the calculation another way, viz. on the basis of present values. £1 is due by death 3 years hence, or at the end of the year after age 102. £2 are due at the end of the second year and £4 at the end of the first year, *i.e.* before reaching age 101.

The present value of the £1 at end of

three years is $\left(1 \times \frac{1}{(1{\cdot}03)^3}\right)$ *i.e.* £·915142

The present value of the £2 is

$2 \times \frac{1}{(1{\cdot}03)^2}$ *i.e.* £1·885192

The present value of the £4 is

$$4 \times \frac{1}{1{\cdot}03} \qquad i.e. \qquad £3{\cdot}883496$$

The total present value of all the payments at death is therefore . . . . £6·683830 and this must be contributed by the 7 persons at age 100. Hence the single premium payable by each is $\frac{6{\cdot}683830}{7} = £{\cdot}9548$, which agrees with the amount arrived at by the former method.

The annual premium is obtained in exactly similar ways. If by the first process we call x the annual premium to be paid by each of the 7 persons and their survivors, we notice that the fund in hand at the beginning of each year consists of two parts, viz., (1) all the former premiums reduced by the successive claims, accumulated to the end of the previous year and then accumulated for the year in question, and (2) the annual premiums paid by the survivors at the beginning of the year we are dealing with, accumulated for that year. Thus we finally get an equation for the annual premium to be paid by each of the 7 as follows:

$$7x(1{\cdot}03)^3 - 4(1{\cdot}03)^2 + 3x(1{\cdot}03)^2 - 2(1{\cdot}03) + x(1{\cdot}03) = 1$$

whence $x = £{\cdot}6158$.

The present value of a life annuity of £1 at age 100 is say a. This is paid at the *end* of each year survived. If we add the value of 1 year's instalment or £1, we get $1 + a$, which is paid at the *beginning* of each year entered upon, *i.e.* with the first payment made at the start. Now an annual premium is obviously a life-annuity payable at the beginning of each year. Hence if we divide the single premium at age 100 by the value of a life annuity at that age increased by 1 we get the equivalent annual premium.

An illustration will be helpful. According to the preceding short Table, out of 7 persons who buy annuities at age 100, 3 survive to age 101 to receive annuities, and 1 reaches 102, and thus obtains the final annuity. Hence the present value of the annuities to be provided for is

$$3 \times \frac{1}{1{\cdot}03} + \frac{1}{(1{\cdot}03)^2} \text{ this equals } 3{\cdot}8552.$$

Dividing this by the 7, who buy annuities, we get the contribution of each, or ·55074. Adding 1 year's instalment we obtain 1·55074 as the value of an annuity, which makes its payment like an assurance premium, in advance. The annual premium is the single premium of £·9548 ÷ the above annuity value £1·55074 = £·6158 already given.

IV

Profits of a Life Company. In the case of an ordinary commercial undertaking the ascertainment of profits proceeds upon principles generally known and easy of application, but in the case of a life office the operation is more complicated and involves great discrimination and technical skill. Every 5 or 7 years the Actuaries of a Life Co. make a valuation of its Assets and Liabilities, and these valuations are accordingly known as Quinquennial or Septennial valuations. The objects of these valuations are threefold: (1) to ascertain to what extent during the period under examination the actual rate of (*a*) mortality, (*b*) the net interest obtained upon investments, and (*c*) office expenditure have respectively exceeded or fallen short of the rate of mortality, interest, and expenditure provided for when the former valuation was made, or in the case of a first valuation when the premiums were formed. (2) To fix the reserve or sum of money to be retained in hand, which, with the future premiums accumulated at the rate of interest adopted for the calculation, will provide sufficient funds to discharge future claims as they fall due, defray future expenditure, and create a profit. (3) To distribute the surplus of the assets, beyond the Reserve thus formed, amongst the policy-holders and the shareholders entitled to share in the distribution, or, should there be a deficiency of assets, to concert measures by which the deficiency may be made good and the financial position of the Company restored to a secure basis.

It must be remembered that the scope of the investigation is not restricted to the ensuing valuation period, but extends to the full term of years covered by the contracts. With regard to (1)*a*, it may be remarked that the pure premium charged is based upon the rate of mortality deduced from past records embodied in the Life Tables, and that the actual rate of mortality disclosed by the experience of a life office may possibly diverge from the experience of the past. With regard to (1)*b*, in calculating the pure premium the compound interest to be received upon the premiums is taken usually at 3 per cent., but as a matter of fact a life office's investments bring them in upwards of £3 15*s*. per cent. With regard to (1)*c*, the addition made to the pure premium (termed the margin or loading) to cover expenses of administration commissions, etc., may prove to be more or less than necessary according to the economical management of the office, or the reverse.

The valuation of the Liabilities is not necessarily made on the same basis adopted for the formation of the premium. The experience of the office itself is taken into account, and the indications of that experience help to fix the premiums to be employed in the valuation. Those premiums may accordingly be termed *Valuation premiums.*

A Life Company's contracts are not of one uniform kind, and the following brief exposition simply shows the process which is applied to assurances for the whole of life. The factors of valuation must also be adjusted to conform with the practice affecting the contract, but those need not concern us here. We will assume that a particular company has 12 policies, the holders of which have reached the age of 45 (the number of policies, is, on the ground of inadequacy, absurd, but let that pass). Assume, further, that these policies comprise, 1 for £1000, 1 for £900, 2 for £800, 2 for £700, 3 for £600, and 3 for £500 ; that the respective ages at entry of the holders were 23, 27, 33, 35, 38, and 40, and that the pure premiums payable are £14 6*s.* 5*d.*, £14 12*s.* 4*d.*, £15 16*s.* 4*d.*, £14 16*s.* 3*d.*, £14 1*s.* 11*d.*, £12 12*s.* 4*d.*

The sum of the Assurances is £8200

The sum of the Annual Premiums, payable by the 12 persons, is . . . . . . £170·334

Now the present value of £1, payable at death of persons aged 45, is according to the O^m Table 3 per cent. £·51122, ∴ the present value of £8200 payable at death of persons aged 45 is £·51122 × 8200 = £4192.

The present value of £1 a year receivable during the lifetime of persons aged 45 is £15·782 ∴ the present value of £170·334 receivable during the lifetime of persons aged 45 is * £15·782 × 170·334 = † £2859.

Hence £4192 is the value of the gross liability of the Company to Policy-holders aged 45, and £2859 is the value of the liability of the Policy-holders aged 45 to the Company in respect of pure premiums.

Hence £4192—£2859 = £1333 is the value of the net liability of the Company on the whole of its twelve Whole-life contracts at the age of 45. This difference is termed the *Reserve*, or the amount necessary to be set aside, which, with the future pure premiums will enable the Company to pay the whole of the claims arising in respect of assured persons aged 45.

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* *Note.* The £15·782 must be increased by one year's payment, *i.e.* to £16·782 to make it payable, like an assurance premium, in advance.

† In expressing valuation results the nearer whole number is given.

Exactly the same procedure is followed with regard to all the other policies. They are not valued separately, but those appertaining to periods of the same age at the time of valuation are together valued as one policy. Finally, therefore, after the important adjustments referred to at the beginning of this section have been made, the Company's assets and liabilities can be expressed in some such form as the following:

By Funds in Hand, being accumulations of past premiums at compound interest less claims and management expenses and Profits paid prior to the valuation	£2,300,000
To total amount of Reserves set aside for the discharge of future claims . . .	£1,800,000
To surplus	£500,000

Note. The provision for future expenses and profits is made by leaving out of account altogether—that is to say not including in the valuation balance sheet—the excess of the premiums actually charged upon the contracts beyond the pure premium involved.

The surplus shown above is not necessarily profit to be distributed. Profit is that portion of the surplus which can prudently be used for distribution. Sometimes a part of the surplus is carried to Reserve to provide against a less advantageous state of the investment market in the future, or to strengthen the Company in other directions. One of the aims of the Actuary is to prevent violent fluctuations in the financial state of the Company. He would not declare a large bonus at one valuation with the risk of a small one, or no bonus at all at a subsequent valuation, but he would recommend such a course as in his judgment would best preserve the Company in a steady state of gradually increasing prosperity.

V

Surrender Values. The views of the public generally upon the subject of surrender values are somewhat hazy, and not infrequently quite erroneous. The person who from any cause desires to surrender his policy is apt to suppose that the office directly benefits by the surrender, and to look with astonishment on what he considers the inadequate value placed upon the surrender. The following considerations will serve to put the matter in a truer and clearer light.

(*a*) The business of life assurance is conducted upon a co-operative basis—not upon individual cases but upon a mass of cases; and it is only by the preservation of large numbers that safety in the working of the system can be attained.

(*b*) Those who abide by their contracts are as much interested in the surrenders as the particular persons concerned. Each person insured contributes a stated percentage towards the expenses of the office, and withdrawals impose upon those who continue an additional burden to meet those expenses. If a large number of withdrawals occur, the office must, to preserve its position, secure an equal number of fresh entrants, and this can only be done by heavy expenditure in advertising and commission.

(*c*) Surrenders usually take place in the case of young members possessing vigorous constitutions (the reader will remember the H^{m5} table in which the first five years of assurance are left out of the reckoning, solely on the ground that the rate of mortality for the first five years is much lower than subsequently). A policy-holder conscious of an enfeebled constitution is reluctant to relinquish benefits gained in earlier years, when his vigour was less impaired. Hence he strains every nerve to preserve the provision he has made. The consequence is that when withdrawals of the young and vigorous are numerous the rate of mortality amongst those who continue tends to increase, resulting in an increased strain upon the office in the settlement of claims. The same effect is produced upon the mass of insured lives by the withdrawal of a number of vigorous first-class lives as would result from the addition of an equal number of inferior lives.

(*d*) Surrenders are usually made in the early years of the policy, when the expenses—commission, etc.—incidental to obtaining the business press most heavily upon the funds of the office set apart for expenses. The expenses of administration, etc., in connection with renewal premiums average about 7½ per cent. of the premium, but the expenses incidental to new policies, after providing for the risk of death during the year, practically absorb the entire first year's premium. Hence the reserve value of a policy that has existed for a few years only is very small.

(*e*) The adverse effect of withdrawals on the financial position of a life office is further emphasised by the facts that (1) a company will in the case of a lapsed policy, which has acquired a surrender value (*i.e.* a policy upon which the premium due has not been paid but no surrender value has been claimed), continue to discharge the premiums so long as the surrender value is sufficient for the purpose; and in the event of death occurring before the surrender value has been absorbed in this way pay the amount assured, subject of course to the advances being deducted at interest. This fact not only illustrates the concern of the company for the welfare of its policy-holders as a whole, but also serves to illustrate the, generally speaking, generous treatment accorded to particular individuals; (2) in cases where the surrender is made by a policy-holder of feeble health, and the risk of a claim through early death is great, the company will pay an enhanced surrender value (where that course would indicate a just regard for the retiring policy-holder), and thus relieve the continuing policy-holders of the burden of paying the full claim.

What is the Surrender Value? The reserve value is the basis of the surrender value allowed—a deduction being made from the reserve value (that deduction being the greater as the duration of the policy is the less)—in order to compensate those who continue their policies for the increased strain: (1) in respect of expenses, (2) in respect of an increased rate of mortality. In practice, offices allow at the outset from 25 to 30 per cent. of the premiums received for non-profit sharing policies, and 40 per cent. and upwards of the premiums paid on policies sharing in profits, inclusive of course of the bonuses added to the policies. A policy acquires a surrender value after three years' premiums have been paid. In place of a surrender value in cash a company will always issue a paid-up policy calculated upon the surrender value, and thus preserve some of the insurance. It has just been stated that the surrender value is based upon the Reserve (or the sum saved up to provide for the payment of the policy); and we have also shown that the Assured in a Company form a community of interests. Hence, when the constitution of that community is adversely affected, in the ways described, by surrenders, it is simply equitable that the payment made to the withdrawing policy-holder should, in the interests of the continuing membership, allow for the approximate monetary value of the increased burdens which his retirement entails.

TEST PAPER XXXIII

1. If an event can happen in *a* ways and fail in *b* ways and each of these is equally likely, what is the probability of its happening or of its failing?

2. In tossing a coin what is the probability of its turning up a head in two trials ?

3. Explain the difference between the Nominal and the Effective rate of Interest.

4. As to the item of "Loading" in Life Assurance, what expenses have to be taken into account on the acquisition of new business ?

5. What is meant by "Gradation" as applied to Mortality Tables ?

6. Name the conditions necessary in a life policy.

7. Give in your own language a definition of Insurable Interest in Life Assurance.

8. Explain the object of the periodical valuation of a Life Assurance Company.

9. What do you understand by Surplus in the Valuation and what sources of surplus do you consider most important ?

10. Explain briefly: Select and Mixed Tables; Rated Lives; Valuation Premium; Policy Value; Deferred Annuities.

11. What is the effect on the finances of a Life Insurance Company of the lapse or surrender of policies ?

12. Enumerate the principal sources of profit of a Life Assurance Company. How are the profits usually disposed of (*a*) in Mutual; (*b*) in Proprietary offices ?

13. Describe as fully as you can the construction and use of Mortality Tables.

14. Explain as accurately as you can the nature of a Policy of Life Assurance.

15. What is the "Declaration" and what constitutes a legal "Warranty" in a policy of Life Assurance ? What do you understand by a "Representation" ? What is a properly authorised agent's position in relation to the company in which his principal proposes to insure ?

16. In what other ways than yearly may the premium usually be paid ? Does it make any difference to the Policy Holder in which way he pays ? What is meant by having one's age "admitted" ?

17. What are the chief regulations governing the assignment of a Life Policy ?

18. What happens if a policy-holder die abroad and direct proof of death is not forthcoming ? What is an Endowment Policy ?

19. State what you know of the Whole Life Policy. What is a policy upon Joint Lives ?

20. Explain by an illustration the process termed "Weighting."

21. What is meant by the following: H^{m}; H^{mf}; O^{m}; H^{ms}?

22. Show the method adopted by the actuaries of a Life Company for the purposes of Valuation.

23. What do you understand by Surrender Value ? Mention the considerations which determine the value put upon a Surrender.

24. In a valuation how is the provision for future expenses and profits made ?

25. What is the present value of £1 payable at the end of five years ?

26. What is the value of £1 at the end of 10 years, accumulated at 3% ?

27. To what commercial uses can life insurance be put ?

28. Has a wife an insurable interest in the life of her husband, a father in the life of his son, and a sister in the life of her brother ?

29. In whom does the policy vest should the insured person become bankrupt ?

30. In what ways may a lien be created upon the moneys secured by a life insurance policy ?

CHAPTER XXIV

FIRE, EMPLOYERS' LIABILITY AND OTHER KINDS OF INSURANCE

FIRE INSURANCE

Its Nature. Unlike a policy of Life Assurance a policy of Insurance against the risk of Fire is a contract of indemnity. Death is an event which is bound to happen, hence, provided the policy is kept in force by the payment of premiums, funds must be accumulated with which to meet the sum assured when death occurs. But fire may or may not happen, and when, and if it does happen, the insured does not necessarily receive the sum for which he is insured. If, *e.g.*, he be fully insured for £1000, and the market value of the goods destroyed by Fire (or by Lightning, for generally Lightning is included in the meaning of Fire) is proved to be that value, he will receive £1000 ; but if the loss be any less than the amount insured he will only receive the proved market value of the loss. A person insured under a Marine policy may not only recover the value of the goods damaged or lost, but he may actually make a profit on them, just as he would had they been sold in the ordinary course of trade. But in Fire insurance he may not make any profit. It is indemnity pure and simple. The theory of Fire insurance is simply that a number of persons combine together and, by contributing fixed annual sums apportioned to the character of the risk, pay for the damage caused by fire to the whole body of the insured. As in Life Assurance, the premiums payable are in excess of the actual risk, in order to provide funds for the upkeep of the office, and for dividends to the shareholders of the company insuring the risk. The principal source, however, whence shareholders' dividends are derived is from interest on funds invested.

Adjustment of Rate to Risk. The student has been shown how Life Assurance premiums are computed, viz. on the basis of the observed duration of life at different ages, as disclosed by mortality bills, corrected by mathematical processes, and by the actual experience of the offices themselves in respect of assured lives. Fire insurance premiums are assessed in a similar way. Statistics of the number of fires occurring in a particular area, or in particular trades, and the extent of the damage, are collected over long periods, and averages are struck. It is apparent that these averages cannot have the exactitude of the Tables on which Life Assurance premiums are based, but they are sufficiently near for practical purposes, and competition amongst fire offices themselves for new business tends to correct any tendency to over estimating risks, and charging excessive premiums. A fire office is not an effective organisation if it charges one set of policy-holders too high, and another set too low a rate, and ineffective organisations are everywhere slowly but surely pushed into the background. Again, fire companies are constantly watching their experience in different trades and localities. They note the beneficial effects of fire appliances in extinguishing and preventing fires, and the extra risks occasioned by dangerous manufacturing processes, or particular styles of buildings, upon the surrounding property. Any reduction in the risk is followed by a reduction in the premium, and *vice versâ*. And as the policies are usually yearly contracts renewable or terminable either by the company or the policy-holder, at the end of each year, this revision of premiums is possible as often as experience shows it to be necessary.

Two Kinds of Fire Offices. Fire offices are divided into two classes: (1) *Tariff offices*, (2) *Non-Tariff offices*. The tariff offices are members of the Tariff Association, which fixes the rates for different descriptions of the more serious kinds of risks, and by agreement they are bound to charge the rates so fixed. Non-tariff offices, on the other hand, are outside the jurisdiction of the Tariff Association, and prefer to assess each risk on its merits, and charge their premiums accordingly, but these offices are neither very numerous nor very powerful. It has been said that the Tariff Association is an organisation whose aim is merely to keep up the rates. But this, if true, is only true in a sense not meant by those who urge this objection For, if the Association sees that extra risks carry their proper share of extra premium, then it follows that non-hazardous risks are relieved to a similar extent The Association has undoubtedly rendered great services to the whole body of insured persons by (1) introducing uniformity in place of the divergency of practice that at one time prevailed amongst fire offices, (2) by adjusting the premiums to the risk, so that the burden of the extra premium falls upon the right shoulders.

Who may Insure. Any person may insure who has an insurable interest, either legal or equitable, in the subject-matter of the insurance. A *legal* interest exists where the insured is the actual owner of the property. An *equitable* interest exists where the interest in the property falls short of actual ownership, *e.g.* the interest in property possessed by one who has advanced money upon it, or agreed to purchase it. A mortgagee may insure, so also may a trustee, or the executor or administrator of an estate.

The Proposal. As with Life Assurance and Marine Insurance the utmost good faith is necessary on the part of the proposer. A statement of fact amounts to a *warranty*, and where statements are made to the best of the proposer's knowledge and belief they are *representations* which must embody substantial accuracy. Fraud invalidates a contract of fire insurance, so also does concealment of material facts. The property must be accurately described, and all information necessary to enable the company to form an accurate estimate of the risk must be freely and frankly given. The maxim of *caveat emptor* (*see* p. 135) does not apply to insurance.

Procedure. The proposal is usually, but not of necessity, made out on a printed form. As soon as the company has considered the proposal, and fixed the annual premium, and the proposer has paid it, the company issues a receipt or acknowledgment of the premium which protects the proposer, in the terms of the company's policy, till either the risk has been accepted, and a policy has been issued by the company, or till the company has intimated its unwillingness to accept the risk. When a company is unable to fix a premium at once a deposit is exacted from the proposer, and a deposit receipt is issued in exchange. This deposit receipt similarly protects the proposer up to a certain date, or till a policy has been issued, or the risk declined. On a simple risk, *e.g.* a private dwelling-house, or goods warehoused in a well-known depository, a company will quote a premium straight away, and on receipt of it will immediately proceed to issue a policy; but in other cases the risk is first surveyed by the company's surveyor, who reports thereon to the company. On this report the proposal is accepted and the premium payable fixed, or else the risk is declined. When a policy has been issued it is incumbent upon the insured to advise the company of any change whereby the risk to the subject-matter is increased, or of the removal of the subject-matter to locations not mentioned in the policy, and to obtain the company's endorsement on the policy agreeing to such removal or such change, and to pay any additional premium the company may require to cover any increased risk.

Kinds of Policies. A policy may be (1) *Specific*, (2) *Average*, (3) *Floating*, (4) *Valued*.

A Specific Policy is one which insures any one risk for a definite sum payable to the insured if the loss reach that amount, irrespective of the actual value of the subject-matter insured. For example, if a policy for £500 be taken out upon goods whose actual value is £2000, and a fire occur doing damage to the extent of £500, then that amount is payable notwithstanding that the goods were only insured for one fourth of their value. It is, however, usual to insure property for its full approximate value, and when rating a specific risk it is as a rule assumed that such is the case.

An Average Policy. In many insurances, and always where two or more risks are insured in one single amount, the *Average Clause* is inserted in the policy. The effect of this clause is to make the insured bear a rateable portion of every loss. For instance, take the case mentioned above, and assume that the average clause was in the policy. The property is insured for £500, its market value is £2000, and the amount of the loss is £500, then, as the property is only insured for one fourth of its value, the company would pay one fourth the loss, viz. £125, the insured bearing the remainder of the loss, viz. £375, himself. If the insurer insures for the full value of the property he will not suffer from the insertion of the Average Clause.

A Floating Policy is one covering property in different localities, which may be limited by the policy to certain specified premises or areas. Such a policy is frequently taken out upon goods lying at dock and other warehouses awaiting removal either by shipment or sale. The Average Clause always operates in connection with these *Floaters*, as such policies are called. Usually a marine clause is attached to the policy, providing that the company shall not be liable "for any loss or damage to property which at the time of the happening of such loss or damage, is insured by, or would but for the existence of this policy be insured by any marine policy or policies, except in respect of any amount (not exceeding the sum hereby assured) which may be in excess of the amount which would have been payable under the marine policy or policies had this policy not been effected."

Valued Policy. As the basis of fire insurance is indemnification for loss or damage, the onus of proof of the extent of the loss or damage rests upon the insured. The insured must prove his loss on the basis of the market value of the property damaged or destroyed. In the case of trading companies the production of the books, where they are not destroyed, furnishes easy proof; but in the case of domestic effects it is not so easy to furnish proof. In the latter case it is a good plan to keep in some safe place an inventory of the contents of the house. The difficulty of proving loss (though generally fire companies settle claims on a generous basis) has, particularly in respect of insurances of domestic effects, led to the introduction of the *valued policy.* A properly qualified valuer makes an inventory of the property and assesses its value, which is admitted by the company. If a fire occur and the property is destroyed (it need not necessarily be wholly destroyed, but damaged to the extent of making it worthless) the company pays the admitted value of the property without any question of depreciation. These policies are very much open to abuse, and their legality has been called in question, as they tend to destroy the fundamental basis of fire insurance, viz., indemnity. Besides, they appear somewhat unnecessary, for companies as a whole conduct their business with minute regard to justice, and pay claims promptly and generously; and they do this, not as an act of grace, but because the very essence of a company's success lies in the continued and growing goodwill of its policy-holders.

Insurance of Loss of Profits. Fire Insurance Companies have also extended the scope of their policies to include loss of profits and other losses consequent upon fire. Such losses may be even more serious than the material loss to buildings and effects, for apart from the loss of profits involved in the dislocation of business, the insured may have to meet heavy standing charges, although the business may, for a considerable period, be unproductive. The method of arriving at a settlement is as follows. An accountant, mutually agreed to by the insured and the company, ascertains the shortage between the turnover of the business in each of the months (not exceeding the time mentioned in the policy) following the fire, and the turnover of the corresponding months of the preceding year, and the insured is paid such a percentage on the shortage as the amount insured by the policy bears to the turnover for the last financial year. Thus, a policy is effected for, say, £4000, and the turnover for the preceding year was £40,000. The policy-holder is therefore insured for $\frac{1}{10}$ of the turnover. If the shortage in the turnover for, say, four months after the fire and the corresponding four months of the year preceding, is found to be £12,000, then the company will pay the insured $\frac{1}{10}$ of that amount, or £1200, plus any extra cost of working entailed by the interruption of the business not exceeding in all the sum insured. The rates for these policies are about the same as those charged for the policy on buildings and effects.

Loss of Rent. In cases where buildings are insured against fire it is prudent also to insure for a year's rent and architect's and surveyor's fees which would be incurred by, or lost to, either the landlord or the tenant during the process of reinstating the premises. Unless the lease contains a clause relieving the tenant from the payment of rent, should the premises be rendered uninhabitable by fire, the tenant would have to pay the rent, though the landlord had insured the premises and recovered the loss. Rent and expenses incidental to reinstatement may be insured at the same rate as that charged for the building itself. Rent can be insured in the ordinary policy, or under the Loss of Profits Policy.

Samples of Rates. Private dwelling-houses, brick or stone built, slated or tiled in no hazardous proximity, 1/6 per cent. Household goods therein, 2/- per cent. Shops and warehouses, similarly built and circumstanced, in which no hazardous goods are stored or hazardous trades carried on, stock and trade utensils, furniture, &c., in such shops, from 2/- per cent. Private dwelling-house, brick and timber built, tiled or slated, in no hazardous proximity and household furniture in such houses, from 2/6 per cent. Shops and warehouses similarly built and circumstanced, in which no hazardous trade is carried on or hazardous goods deposited; stock and trade utensils, fixtures and furniture in such shops and warehouses, from 3/- per cent. The rates charged for more hazardous risks vary so greatly that no useful information can be given in respect of them.

Many fire insurance companies now issue to householders what is called an *All-in Policy,* combining in one contract protection against fire risks, burglary, larceny, etc., and insurance against domestic servants' employers' liability, damage from storm or tempest, third party risks, etc. The usual premium is 5*s.* per cent. This premium does not cover insurance of the building itself. It is a great advantage to the householder to have a single policy covering all the usual risks to which he or she is liable.

Term of the Policy. Fire Policies are usually annual policies falling due on a quarter-day, and terminable, either by the company or the insured, at the end of the annual period. Premiums are payable in advance. Fifteen days of grace are allowed on annual policies in which to renew by payment of the premium, and should a fire occur during the period of grace the company will recognise the claim, provided the premium is immediately tendered, for, unlike a Life Company, a fire company is not bound to set off the unpaid premium against the claim arising for settlement. The renewal receipt is evidence that the policy remains in force. A policy may be taken out for less than twelve months. Such policies are termed *short period policies*, and are not renewable like annual policies. If it be desired to continue a short period policy, notice must be given to the company prior to its expiration, and a fresh policy taken out, and as a rule no days of grace are allowed. There are also septennial policies, and others for terms of years, called *long period policies*. The premiums are payable in advance, and graduated discounts are allowed from the premiums in respect of advance payment. The arrangements for renewal are similar to those for short period policies, except that as a rule fifteen days' grace are allowed. Fire Policies are stamped with a sixpenny stamp.

Losses Excluded by Policy. A fire policy does not cover property held in trust, or on commission, unless expressly described as such, and where claims are paid in respect of such declared property the amounts so paid pass to the real owner of the goods. China is not covered by a fire policy, nor glass, looking-glasses, jewels, clocks, watches, trinkets, medals, curiosities, MSS., Government stamps, prints, paintings, drawings, sculptures, musical, mathematical or philosophical instruments, patterns, models or moulds, unless such goods are specially mentioned in the policy, but the ordinary Household Furniture Policy almost invariably covers them. The following are never covered by a fire policy: Deeds, Bonds, Bills of Exchange, Promissory Notes, Money, Securities, Books of Account, Gunpowder; loss or damage to property occasioned by or happening through its own spontaneous fermentation or heating, or by or through earthquake or subterranean fire, or by or through invasion, foreign enemies, riot, civil commotion or military or usurped powers, or by explosion, except loss or damage by explosion of gas in the premises referred to in the policy not forming part of any gasworks.

Two or more Policies insuring one Risk. A clause in fire policies exempts the company from liability for more than its rateable proportion of the loss or damage by fire in all cases where more than one policy exists on the same risk whether effected by the insured or by any other person. And, further, if any subsisting policy or policies are subject to average then all are subject to average.

More than one Fire in a Year. If more than one fire occurs in respect of the same insured property during a single year a company is not liable for any greater sum than the amount for which the property was at the outset insured. Thus, if property be insured for £2000, and a loss incurs involving the company in the payment of £1000, and later on in the year another fire occur totally destroying the property the company is not liable to a greater extent than £1000, *i.e.* the difference between the claim first paid, and the amount of the original assurance, unless an additional premium has been paid to reinstate the amount of the first loss.

Reinstatement Clause. All fire policies contain a clause providing that the company may, if they so decide, reinstate property destroyed or damaged, instead of settling the claim in cash. This provision imposes a check upon fraud. The moral hazard is much greater in respect of Fire Insurance than in Life Assurance or in Accident or Marine Insurance. History records but few cases where people have wilfully taken their own lives or the lives of others, or intentionally embarked upon a vicious course of life with a view to the speedy ending of their days in order that themselves or others should benefit by the money payable under a policy of Life Assurance. Unhappily, however, not a few have deliberately maimed themselves in order to benefit under an accident policy, or, when an accident has occurred, have wilfully magnified its effects, and preferred exaggerated claims based upon their mendacity. But still more have been found whose moral character has given way in the face of financial difficulties, and who have deliberately set fire to insured property hoping to extricate themselves from their difficulties at the expense of the insurance company, and at the risk of involving the property of others in the process. Hence claims are vigorously scrutinised by a fire company, and challenged upon the slightest suspicion of fraud. What are termed *Fire Inquests* are far from uncommon. It is apparent that vigilance of this kind is exerted by a company, not alone in its own interests, but also in the interests of the whole body of the insured. For failing this watchful regard on the part of the company, the premium payable against the risk of fire would be very much increased.

Arbitration Clause. All fire policies contain a clause providing that, in the event of disagreement between the Company and the policy-holder, and where the Company does not allege fraud, the differences shall be submitted to the arbitrament of two impartial persons, one chosen by the Company and the other by the insured; and that should the arbitrators disagree, then that the matter shall be referred to an umpire selected by the arbitrators, whose award shall be final and binding upon both parties.

Where Policy Becomes Void. A clause provides that where through failure on the part of the insured to observe the conditions of the policy, it becomes void, all moneys paid to the Company in respect of the policy are forfeited.

Assignment of Policy. A contract of fire insurance is purely between the Company and the insured. The latter can only assign his policy with the Company's consent. An insured person must not only have an insurable interest in the property at the time of insuring, but he must also have an insurable interest at the time fire occurs. Hence, if he disposes of his interest, the person acquiring it would, in the event of fire, have no claim upon the Company unless they had consented to the transfer of the policy, and the vendor also would have no claim, because he had no insurable interest in the property. But if the property passes by will or by operation of law, the policy remains in force. A policy is transferred by endorsement of the policy by the Company.

Making a Claim. The insured must give notice in writing to the Company immediately on the happening of the loss, and must, within fifteen days, and in writing, deliver to the Company a statement of the loss or damage, with as full particulars as may be practicable of the several articles damaged or destroyed and the estimated value of each, supported by the necessary vouchers, and if required a statutory declaration as to the truth of the statement. The values must be the *market* values of the articles at the time of the fire. No claim is payable by the Company till these stipulations have been complied with. The Company has the power in case of fire, either by its authorised officer or a servant, to enter the building where fire or damage has occurred, and for a reasonable time to remain in possession of any insured property contained therein for all reasonable purposes relating to or in connection with the insurance. Claims are usually adjusted by men known as *Assessors*—skilled valuers—who may or may not be servants of the Company concerned.

EMPLOYERS' LIABILITY INSURANCE

The law relating to the liability of masters to their servants is contained in (1) *The Common Law, i.e.* the law originating in no formal enactment of the Legislature, but unwritten and founded upon tradition, and the general custom of the realm as interpreted by the judges; (2) *The Employers' Liability Act*, 1880; (3) *The Workmen's Compensation Act*, 1925, by which the law on the subject of workmen's compensation has been consolidated.

(1) *Under the Common Law*, a servant has a legal remedy against an employer for injury caused by the employer's personal negligence, or by the personal negligence of some person for whose act or default the employer is responsible. In such cases the servant may bring an ordinary action for damages against the employer in the High Court of Justice, or the County Court, the Lord Mayor's Court in London, or other special court, *e.g.* the Court of Passage at Liverpool, or the Salford Hundred Court at Manchester. Such actions are, however, now rare, as for the most part employers take all reasonable care for the safety of their servants.

The Employers' Liability Act, 1880. By this Act the employer's liability is extended, and the defence of common employment which might be successfully raised in an action for damages under the common law is lost in the following cases:

(1) Where there was a defect in the condition of the ways, works, machinery, plant, etc.
(2) Where the superintendent, etc., was guilty of negligence.
(3) Where the foreman, etc., negligently gave orders which the workman obeyed.
(4) Where the accident was occasioned by observance of bye-laws or particular instructions, etc.
(5) Where the accident was due to the negligence of a signalman, engine-driver, etc., on a railway.

Under this act the word " workman " includes *a railway servant, and any person who, being a labourer, servant in husbandry,* *journeyman, artificer, handicraftsman, miner or otherwise engaged in manual labour, whether under or above twenty-one, has entered into or works under a contract with an employer, whether the contract be made orally or in writing, and be a contract of service or a contract personally to execute any work or labour, and apprentices to any such workman as is within the Act, where no premium has been paid, or the premium does not exceed £25, and apprentices bound under the Acts relating to the relief of the poor* But it does not include (1) a domestic servant, (2) seamen or apprentices to the sea, (3) where the Act is contracted out of, *i.e.* where the contract of service stipulates that the liability shall not be borne by the employer. Under this Act notice of injury must be given within six weeks of the accident, and action commenced in the County Court within six months, or in case of death within twelve months, and the employer's liability is limited to a sum not exceeding the estimated earnings of the workman for the three years prior to the accident.

The Workmen's Compensation Act, 1906, still further extended the liability of employers to their servants. Some amending Acts were subsequently passed, and the law on this subject has now been consolidated in the Workmen's Compensation Act, 1925. *Firstly*, the word "employer" covers sole trader (man or woman), partnership, limited company, executor of a deceased employer (in this case either the executor or the estate is liable), and where an employer temporarily lends or hires out a servant to a third person *Secondly*, the word " workman " means any person, male or female, who has entered into or works under a contract of service or apprenticeship with an employer, whether by way of manual labour, clerical work or otherwise, or whether the contract is expressed or implied, is oral or in writing. The exceptions are (1) persons earning more than £350 a year, not employed in manual labour, (2) persons casually employed outside the employer's trade or business, (3) members of a police force, (4) outworkers, *i.e.* persons to whom articles are given out to be made up, etc., or adapted for sale in their own homes, or in some place not under the control or management of the employer, (5) members of the employer's family dwelling in his house. *Thirdly*, the employer's liability in the case of death to a workman through accident extends to the workman's dependents, *i.e.* to those members of the family wholly or in part dependent upon the workman's earnings at the time of death ; and illegitimacy, either of the workman or the dependents, is no bar, provided that the members of the family were to any extent reliant upon the workman for support. *Fourthly*, the workman may have contributed to the accident by his own carelessness, or have disobeyed the lawful orders of his employer, and still be entitled to compensation, provided that the accident arise *out of and in the course of the employment.* The only defence that can be raised against claimants for compensation under this Act is that the accident was the result of the workman's own serious and wilful misconduct, and even this defence is not available if the accident so caused result in death or serious and permanent disablement.

Compensation Payable under the Act. In the case of (1) *Death.* The dependents, if wholly dependent, may recover a sum equal to the earnings of the deceased for the three years immediately prior to the accident, or 156 times the workman's average weekly earnings with the same employer, if he have not been employed for so long as three years ; or £200, whichever is the larger, but in no case a greater sum than £600. If the dependents be partially dependent, such a sum, not exceeding £600, as may be agreed upon, or in case of disagreement as may be awarded by arbitration provided for under the Act, as reasonable and proportionate to the injury to the dependents. If the workman leave no dependents, then the amount payable is the reasonable expense of medical attendance and burial, not exceeding a sum of £15.

(2) *Total or partial incapacity.* The workman may be awarded a weekly sum during incapacity not exceeding 50 per cent. of his average weekly earnings during the previous twelve months, or if he have not been so long employed, during the period of his employment with the same employer, such weekly payment not to exceed 30s. Compensation is payable if there is disablement for more than three days, but nothing is payable for the first three days unless the incapacity lasts for four weeks.

It should be added that the Act affords such facilities for the adjudication of claims made in respect of it as materially to reduce the expense and trouble incidental to ordinary legal process.

Need for Insurance. The provisions of this Act are so far-reaching, and the liability thrust upon employers is so onerous, that no prudent business man is content to remain unprotected. He takes out a policy of insurance under which, in exchange for a yearly premium, the insurance company assumes liability for any compensation that he might become liable for under the Act.

Procedure, etc. The employer makes out a list of his employes with the amount of wages, salary, and other earnings paid to each of them (adding an allowance for board and lodging if he board and lodge them), and the amount of the premium payable is expressed as a percentage of the total wages, etc., paid This is for servants employed in business. Private employes are rated at so much *per capita*. The employer must keep a proper wages book and permit the company to inspect it at any time, and deliver an abstract of the said book annually within one month from the expiry of the period for which the policy is in force, and if the premium paid shall turn out to be more or less than that warranted by the earnings of the employes then the employer or the company, as the case may be, must hand over the difference between the premium paid and that payable. The rendering of annual abstracts, and the provision as to refund by the company, or complementary payment by the insured, may be excused where the total wages paid do not exceed £150 per annum. The insured must give notice of any accident or decease covered by the policy immediately it happens, or of any incapacity resulting therefrom, as soon as it is brought to his notice, and must hand over to the company, after receipt, every written notice or information as to the claim and of all proceedings taken by the employe in respect of it. The insured must not incur any expense by litigation or otherwise, or make any settlement or acknowledge any liability in respect of any injury for which the company is liable under the policy without the company's consent, and the company shall be entitled to use the name of the insured, including the bringing, enforcing or settling any legal proceedings for the benefit of the company, and the insured must give all necessary information and assistance to the company to enable the company to settle or resist any claim as the company shall think fit. The costs and expenses of defending or resisting claims is borne by the company. Differences between the insurer and the insured arising from the interpretations of the policy are to be settled by arbitration, and the company is not to be liable for any claims, etc., arising before the actual receipt of the premium or after the expiry of the policy and before receipt of the renewal premium A clause usually absolves the company from liability in respect of employes in the employ of sub-contractors to the insured, but this may be nullified by endorsement of the policy by the company, and after payment of appropriate consideration in respect thereof by the assured.

Rates of Insurance. Among the lower rated risks in respect of shop assistants are drapers', hosiers', stationers', tailors', jewellers', booksellers', and the like.

Occupations that involve greater risks are more heavily rated. Chauffeurs, builders' hands, farm hands, commercial travellers, etc., come in this category.

NATIONAL HEALTH INSURANCE

By the National Insurance Act, 1911, which came into force on July 15, 1912, provision was made for the compulsory insurance against sickness of practically the whole working population of the kingdom. The cost was to be divided in certain proportions between the workpeople, their employers and the State.

Several amending Acts have been passed since 1911, and these are now embodied in the National Health Insurance Act, 1924, which repealed previous Acts. Further amendments were made by the National Health Insurance Act, 1928.

In addition to medical benefit, the insured now enjoy advantages in dental and optical treatment, while Convalescent Homes benefit is also provided by the Act.

With certain exceptions, all persons employed in the Kingdom must be insured if they are between the ages of 16 and 70 and earn at the rate of less than £250 per annum, and those who work with their hands must be insured even if they earn more than this.

Two methods of insurance are open to workpeople. They may become members of approved societies or they may become deposit contributors.

Provisions are contained in the Act to ensure the payment of contributions by employers, and any employer who neglects to pay the contributions due from him is liable to be fined.

Special provisions apply to certain classes of persons such as married women, persons employed in the mercantile marine, persons who become certificated teachers and a few others.

The contributions are made by the affixing of stamps to cards. The employer is responsible for the stamping of the cards, and the employed person must be ready to produce his card to his employer whenever he may require it for the purpose of stamping.

It must also be shown, when required, to the inspector or other duly authorised person.

The following are the contributions payable at present:

	Employers' Contribution.	Workers' Contribution.
Men......	9*d*. per week	9*d*. per week
Women...	7*d*. ,,	6*d*. ,,

The general payments for sickness are:

Men	15*s*.	per week
Women	12*s*.	,,

In addition there are medical and other benefits. Some societies pay more than the general rates.

UNEMPLOYMENT INSURANCE

By the Unemployment Insurance Acts, 1920 to 1930, insurance against unemployment is obligatory on practically all persons to whom the National Health Insurance Acts apply, the chief exceptions being domestic servants and persons employed in the agricultural industry.

The contributions are made by fixing special unemployment insurance stamps in a book belonging to the insured person. These stamps may be obtained from any Post Office, and the books are obtainable at any Labour Exchange.

The stamps are affixed in the books by the employers, who are liable in the first instance for the payment of the whole of the contribution, but they are entitled to deduct the worker's share from his wages.

Unemployment benefit is paid at the following rates at present:

Men age 21 and under 65	17*s*.	per week
Young men 18–21	14*s*.	,,
Boys 17–18	9*s*.	,,
16–17	6*s*.	,,
Women age 21 and under 65..	15*s*.	,,
Young women 18–21	12*s*.	,,
Girls 17–18	7*s*. 6*d*.	,,
16–17	5*s*.	,,

Married men are entitled to an increase of benefit, as also are those who have dependent children.

The following are the present scales of contributions:

	Employers' Share.	Workers' Share.
Men age 21 but under 65...	10*d.* per week	10*d.* per week
Women age 21 but under 65	9*d.* „	9*d.* „
Youths age 18 but under 21	9*d.* „	9*d.* „

OTHER KINDS OF INSURANCE

Casualty Insurance. Policies may be taken out insuring for the payment of a specific sum in the event of death through accident, or in case of incapacity through accident, of a stated sum per week during the continuance of the incapacity. Almost every description of accident may be insured against.

Compulsory Motor Insurance. The Road Traffic Act, 1930, compels motorists to insure against third-party risks. They must insure with companies (or underwriters) which have duly complied with the conditions of the Assurance Companies Act, 1909, as to deposits and guarantees; and the policy itself must cover their liability for death or injury to other persons due to any motor vehicle used by them.

Boiler Insurance. Policies are issued after inspection of the boilers, insuring against explosion, damage to surrounding property, loss of life, and injury to employes.

Fidelity Guarantees. Fraud on the part of employes and consequent financial loss to employers is unfortunately common, and in exchange for the payment of an annual premium (sometimes paid by the employes themselves), an employer may insure the whole of his staff, and thus protect himself against loss of the kind. The company insuring the risk inquires into the history of each employe before issuing a policy. The inquiries are fairly thorough, so that an employer may be sure, if a company is prepared to insure a particular employe, that the employe's record is clean.

Burglary. Insurance may be effected against burglary, and also against larceny by servants where the insurance covers a private dwelling-house.

Plate Glass. Shopkeepers may insure against damage to their windows, and the plate glass used in the exteriors or interiors of their shops.

Miscellaneous Insurances. Insurances may be effected against loss or damage to crops through *hailstorms;* to *carriages* and *vehicles* through accidents; to *horses* and *cattle* and *live stock* generally. A *cyclist* or *motorist* may insure against loss or damage to his machine, and against injury to himself or to others. Insurance may be effected against the loss of *keys* and *season tickets*, the loss of *licences*, or of *bonds* and *valuable documents* generally, or against a possible depreciation in value of *mortgages* and *debentures*. *Diseases* may be insured against, so also may *bad debts*. In fact, so wide has the principle of insurance been extended in order to meet the complex conditions of modern life that a person may protect himself against almost every untoward event that can possibly happen to him.

TEST PAPER XXXIV

1. Explain as fully as you can the nature of a Fire Insurance Policy.

2. How is the rate chargeable upon Policies ascertained ?

3. What persons may take out a Fire Policy ?

4. Suppose you owned a building, value £10,000, and insured it for that sum. You sell the building, which, prior to the assignment of the policy, is destroyed by fire. Who bears the loss ?

5. Why does *Caveat Emptor* not apply to Insurance business ?

6. What ought to be done by an insured person if he remove insured property from one location to another, or effect any structural alterations in the building by which the risk of fire either to building or goods is increased ? What, on the other hand, ought the Insurer to do if the changes result in a diminution of the risk ?

7. Explain " Short period Policies " and " Long period Policies." What are the arrangements for renewal in respect of the various kinds of Fire Policies ?

8. A person is insured for £1000 and the insurer pays out in January the sum of £800 in respect of a claim. In July of the same year another fire occurs and the subject-matter of the insurance is completely destroyed. What is the position of the insured ?

9. What kinds of losses are generally excluded by a Fire Policy, and what are never included ? What is the object of the " Reinstatement Clause " ?

10. In claiming compensation under a Fire Policy, what is the procedure ?

11. What is the definition of a " Workman " under the Workmen's Compensation Act, 1906, and what is meant by a " Dependent " ?

12. A workman through his own carelessness and disobedience of orders is severely injured, and unable to follow any employment. Is he entitled to compensation ? If so, how would it be assessed ?

13. Suppose that the workman in the preceding question was killed. What then would be the compensation payable ?

14. What do you understand by " Contracting Out " and an " Outworker " ?

15. How is the premium payable under a Workmen's Compensation Policy assessed ? Give a few sample rates.

16. What do you understand by Fidelity Guarantee ?

17. Suppose a workman under 21 years of age and earning less than

21s. a week is permanently disabled through an accident arising out of and in the course of his employment. To what compensation is he entitled?

18. What do you understand by the expression "The Common Law"?

19. Mention four kinds of Insurance, other than Life, Fire, Marine and Workmen's Compensation Insurance.

20. Define "Floating Policy" and state the advantages of taking out such a policy in (*a*) Fire Insurance; (*b*) Marine Insurance.

21. What broad distinctions are there between Life Insurance and Marine or Fire Insurance? Explain (*a*) Average Clause (Fire Insce.); (*b*) Warranty (Life Assce.); (*c*) Representation (Life Assce.); (*d*) Insurable Interest; (*e*) Specific Policy; (*f*) Floating Policy; (*g*) Constructive Total Loss.

22. Distinguish between General Average and Particular Average.

23. State the reasons why Bottomry and Respondentia bonds are no longer necessary.

24. To what persons are the National Health Insurance Acts applicable?

25. How are the payments made under the Unemployed Insurance Acts?

LIST OF ABBREVIATIONS USED IN COMMERCIAL CORRESPONDENCE

A

a.	anna (Indian coin).
@	at.
A.A.I.	Associate of the Auctioneers' and Estate Agents' Institute.
a.a.r., a.r.	against all risks (Insce.).
A/C	Account.
A.C.A.	Associate of the Institute of Chartered Accountants in England and Wales.
a/c, acct.	account.
a/d	after date.
A1	the description of a First Class Ship in Lloyd's Register of Shipping.
A.C.I.S.	Associate of the Chartered Institute of Secretaries.
ad lib.	at pleasure (Latin, *ad libitum*).
ads., advts.	advertisements.
ad val.	according to value (Latin, *ad valorem*).
agt.	against.
Agt.	Agent.
A.I.S.A.	Associate of the Incorporated Secretaries' Association.
Al., Ala.	Alabama (U.S.A.).
Alas.	Alaska (N. America).
amt.	amount.
a.m.	morning (Latin, *ante meridiem*).
Ans.	Answer.
a/o	account of.
a/or	and or.
A.P.	Additional Premium (Insce.).
Arr.	Arrival.
Ark.	Arkansas (U.S.A.).
Ariz.	Arizona (U.S.A.).
A/S	Account Sales.
a/s	after sight.
A.S.A.A.	Associate of the Society of Incorporated Accountants and Auditors.
Asst.	Assistant.
avoir.	avoirdupois.

B

Bal.	Balance.
Bdl.	Bundle.
B.Com.	Bachelor of Commerce.
Beds.	Bedfordshire.
Berks.	Berkshire.
B/E	Bill of Exchange.
B.Eng.	Bachelor of Engineering.
B'ham.	Birmingham.
B.H.P.	Brake Horse Power.
Bk.	Bank ; brick.
bl.	bale.
B/L	Bill of Lading.
B.O.	Branch Office ; Buyer's Option.
B.O.D.	Buyer's option to double.
Boro'	Borough.
B.P.	Bills payable.
B.R.	Bills receivable.
B.Th.U.	British Thermal Unit.
B.T.U.	Board of Trade Unit.
brl.	barrel.

Br(s)., Bro(s).	Brother(s).
B/S	Balance Sheet.
bt.	bought.
Bucks.	Buckinghamshire.
bush	bushel.
Bx(s).	Box(es).

C

c.	cent, American coin; centime, French coin; centavo, Span. American coin; copeck, Russian coin.
C.A.	Chartered Accountant.
Ca. Cal.	California (U.S.A.).
caps.	capital letters (printing).
Capt.	Captain.
C.B.	Cash Book.
C.C.	County Council; Continuation Clause (Insce.).
C.E	Civil Engineer.
cent.	hundred.
cf., cp.	compare.
c.f.	cost and freight.
cg.	centigram.
Chqe.,Chq.	Cheque.
C.H.	Custom House; Companion of Honour.
Cie.	Company (French *Compagnie*).
c.i.f.	cost, insurance and freight
ck.	cask.
cm.	centimetre.
C/N	Credit Note.
c/o	care of.
Co.	County; Company.
C.O.D.	Cash on Delivery.
Com., Comm.	Commission.
Cont. B. & H.	Continent between Bordeaux and Hamburg (Insce.).
Cont. H. & H.	Continent between Havre and Hamburg (Insce.).
C/P	Charter Party.
C.P. & Co.	Messrs.Carter,Paterson & Co. (Carriers).
C.P.R.	Canadian Pacific Railway.
C.R.	Company's Risk.
Cr.	Credit; Creditor.
C.S.	Clerk to the Signet (Scotch); Civil Service; Court of Session.
c/s	case(s).
Ct.	Cement, Court.
C.T.L.	Constructive Total Loss (Insce.).
ctge.	cartage.
cum. div.	with dividend.
C.W.O.	Cash with Order.
cwt.	hundredweight.

D

d.	pence.
D/A	Documents against acceptance.
Dak.	Dakota (U.S.A.).
Dbk.	Drawback.
D.C.	District of Columbia (U.S.A.); Detention Clause (Insce.).
D/C	Deviation Clause (Insce.).
D/D	Days after date.
D.Eng.	Doctor of Engineering.
Ddt.	Deduct (Surveying).
Deld.	Delivered.
De., Del.	Delaware (U.S.A.).
Dept.	Department.
Dft.	Draft.
Div.	Dividend.
Dis., Disct.	Discount.
D.Met.	Doctor of Metallurgy.
D/N	Debit Note
D/O	Delivery Order.
Do.	Ditto (the same).
Dols.	Dollars (American coin).
Doz.	Dozen.
D/P	Documents against payment.
Dr.	Debtor; Doctor.
D/S	Days after sight.
D/W	Dock Warrant.
dwt.	pennyweight.
d/y, dely.	delivery

E

E.	Eastern Postal District of London.
E.C.	East Central Postal District of London.
Ecua.	Ecuador (S. America).
E.E.	Errors excepted.
e.g.	for example.
Enclo(s).	Enclosure(s).
E. & O. E.	Errors and omissions excepted.
etc.	and the rest (Latin, *et cetera*).
ex cont.	from contract.
exd.	examined.
ex div., e.d., x.div.	exclusive of dividend.
et seq.	and that which follows.
et sqq.	and those following.

F

f.a.a.	free of all average.
F.A.I.	Fellow of the Auctioneers' and Estate Agents' Institute.
f.a.q.	fair average quality.
f.a.s.	free alongside ship.
Fa., Fl.,Fla.	Florida (U.S.A.).
F.C.A.	Fellow of the Institute of Chartered Accountants in England and Wales.
fcp., fcap.	foolscap.
F.C.I.S.	Fellow of the Chartered Institute of Secretaries.
F.C.S.	Fellow of the Chemical Society.
F.C. & S.	Free of capture and seizure (Insce.).
F.D.	free docks.
Fr. E.	French ells.
F.G.A.	Foreign general average (Insce.).
F.I.C.	Fellow of the Institute of Chemistry.
F.I.P.A.	Fellow of the Institute of Practitioners in Advertising.
F.I.S.A.	Fellow of the Incorporated Secretaries Association.
F.L.N.	Following Landing numbers (Insce.).
Fl. E.	Flemish ells.
F.O.	Foreign Office; For Orders (Insce.).
f.o.b.	free on board.
f.o.c.	free of charge.
f.o.r.	free on rail.
f.o.s.	free on steamer.
f.o.t	free on truck.
fo., fol.	folio.
fr.	franc (French coin).
F.S.A.A.	Fellow of the Society of Incorporated Accountants and Auditors.
ft.	foot or feet.
f'wd.	forward.

G

Ga., Geo.	Georgia (U.S.A.).
G.A.	General Average (Insce.).
Gal(s)., Gall(s).	Gallon(s).
Gdns.	Gardens.
G.I.T.	Grooved for Iron Tongues (Timber).
Glam.	Glamorgan.
Glos.	Gloucestershire.
Gloster.	Gloucester.
gm.	gramme.
G.M.Q.	Good Merchantable Quality.
G.M.T.	Greenwich Mean Time.
Goods.	Goods Train.
G.P.O.	General Post Office.
Govt.	Government.
gr.	grain.
grs.	gross; grains.

H

Hants.	Hampshire.
H.B.C.	Hudson's Bay Company.
H.B.M.	His Britannic Majesty.
H.C.	Held covered (Insce.).
Herts.	Hertfordshire.
hf. cf.	half calf (binding).
hhd.	hogshead.
H^{m}	Healthy Males Table (Insce.).
H^{m5}	Healthy Males Table excluding the first 5 years of Insurance.
H.M.C.	His Majesty's Customs.

Ho.	House.
H.P.	Horse Power.
H.P.N.	Horse Power Nominal.
hr.	hour.
Hunts.	Huntingdonshire.
h.w.m.	high water mark.

I

Ia., Io.	Iowa (U.S.A.).
Ida.	Idaho (U.S.A.).
Id.	the same (Latin, *idem*).
i.e.	that is (Latin, *id est*).
I.H P.	Indicated Horse Power.
I$^{\text{er}}$	First (French *premier*).
Ill.	Illinois (U.S.A.).
Ind.	Indiana (U.S.A.).
Ind. T.	Indian Territory (U.S.A.).
in.	inch.
Insce.	Insurance.
inst.	instant (i.e. the present month)
Int.	Interest.
Inv.	Invoice.
I.O.M.	Isle of Man.
I O U	I owe you (*no full stop between letters*).
I.R.O.	Inland Revenue Office.
I.O.W.	Isle of Wight.

J

Jno.	John.
Jun., Junr., Jr.	Junior.
Junc.	Junction.

K

Kan., Kans.	Kansas (U.S A.).
Ken., Ky.	Kentucky (U.S.A.).
kg., kilo., kilog.	kilogram.
kilom.	kilometre.
kl.	kilolitre.
kr.	kreutzer, Austrian coin; krone, Norwegian coin.

L

£	Pound(s).
Lancs.	Lancashire.
lb(s).	pound(s) (weight).
l.c.	lower case (printing).
L/C	Letter of Credit.
L.C.	Label Clause (Insce.)
L.P.T.B.	London Passenger Transport Board.
Lincs.	Lincolnshire.
lit.	litre.
L'pool	Liverpool.
L.M. & S. Rly.	London, Midland and Scottish Railway.
L.N.E.Rly.	London and North-Eastern Railway.
L.S.	Place of the seal (Latin, *locus sigilli*).
Ltd., Ld.	Limited.
l.w.m.	low water mark.

M

m.	metre(s); mile(s).
M.	Monsieur (French).
Ma. Minn.	Minnesota (U.S.A.).
Mass.	Massachusetts (U.S.A).
max.	maximum.
M.C.	Metalling Clause (Insce.).
M.Com.	Master of Commerce.
M/chtr.	Manchester.
Md.	Maryland (U.S.A.).
M/D.	Months after date.
Me.	Maine (U.S.A.); Maître, French barrister).
M.E.	Mining Engineer.
Mem., Memo.	Memorandum.
Mlle.	Mademoiselle (French).
Mme.	Madame (French).
Messrs.	Gentlemen; Sirs (French, *messieurs*).
mk(s).	mark(s) (German coin).
M.Inst.C.E.	Member of the Institution of Civil Engineers.
M.Inst.E.E.	Member of the Institution of Electrical Engineers.
M.Inst.M.E.	Member of the Institution of Mechanical Engineers.
Misa., Mi.	Mississippi (U.S.A.).
Mich.	Michigan (U.S.A.).
Min.	Minimum.
MM.	Messieurs (French).
mm.	millimetre(s).

M.M.O.	Mercantile Marine Officer.
Mo., Mis.	Missouri (U.S.A.).
M.O.	Money Order.
M.O.O.	Money Order Office.
Mon.,Mont.	Montana (U.S.A.).
Mon.	Monmouthshire.
mo.	month.
Mr., Mrs.	Mister; Mistress.
M/S	Months after sight.
MS(S).	Manuscript(s).

N

N.	Northern Postal District of London.
N.A.	North America.
n/a	No account (Banking).
Na., Neb.	Nebraska (U S A.).
N.B.	New Brunswick; Take Notice (Latin, *nota bene*).
N.C.	North Carolina (U.S.A.).
N. Dak.	North Dakota(U.S.A.).
N.E.	North Eastern Postal District of London.
Nev.	Nevada (U.S.A.).
N.F.	Newfoundland.
N.H.	New Hampshire (U.S.A.).
N.J.	New Jersey (U.S.A.).
N.L.R.	North London Railway.
N.M., New M.	New Mexico (U.S.A.).
No.	Number. (Latin, *numero*).
Nom. Cap.	Nominal Capital
Northants.	Northamptonshire.
Notts.	Nottinghamshire.
N.R.	No Risk (Insce.).
N.S.	Nova Scotia.
n/s	Not Sufficient Funds (Banking).
N.S.W.	New South Wales.
N.W.	North Western Postal District of London.
N.W.T.	North West Territories (Canada).
N.Y.	New York.
N.Z.	New Zealand.

O

O.	Ohio (U.S.A.); order,
%	per cent.
$\frac{o}{oo}$	per thousand; or per mille.
o/d	on demand.
O.H.M.S.	On His Majesty's Service.
O.K.	All Correct (illiterate spelling, *orl k'rect*).
Okla.	Oklahoma (U.S.A.).
O^m	British Offices' Experience (Insce.).
O.M.	Old Measure Gallon (15 O.M. = 12 Imperial gallons).
On., Or., Ore.	Oregon (U.S.A.).
Ont.	Ontario.
On a/c	On Account.
o/p	out of print.
O.P.	Open Policy (Insce.).
O.R.	Owner's Risk.
Ord.	Ordinary.
O/S	On Sale; out of stock.
O.S.	Old Style (Russian Calendar).
Oxon.	Oxfordshire.
oz.	ounce(weight). *See* viz.

P

p.	page.
pp.	pages;
Pa., Penn.	Pennsylvania (U.S.A.).
Par(s).	Paragraph(s).
Passenger, Pass.Train.	Passenger Train
P.A.	Particular Average (Insce.).
p.c.	post card; per cent.
Pd.	Paid.
P.E.	Plain edged (Timber).
per ann., p.a.	by the year (Latin, *per annum*).
per pro., p. pro., p.p.	On behalf of (Latin, *per procurationem*).
P.E.I.	Prince Edward's Island (N. America).
PerPtg.Std	Per Petrograd (now Leningrad) Standard (Timber)

pf.	pfennig (German coin).
pk.	peck (measure).
pkg., pkge.	package.
P.L.	Partial Loss (Insce.).
P. & L.	Profit and Loss.
p.m.	afternoon or evening (Latin, *post meridiem*).
P.M.G.	Postmaster-General.
P.N.	Promissory Note.
P.O.	Postal Order.
P.O.D.	Pay on delivery.
P. & O.	Peninsular and Oriental Steam Navigation Company.
P.P.I.	Policy proof of Interest (Insce.).
P.P	Parcel Post.
pr.	pair; price.
pro tem.	for the time being (Latin, *pro tempore*).
prox.	next month (Latin, *proximo*).
PS.	Postscript.
psta., pta.	peseta (Spanish and Peruvian coin).
P.T.O.	Please turn over.
pun.	puncheon (measure).

Q

qr.	quarter; quire.
qt.	quart.
q.v.	which see (Latin, *quod vide*).
qy.	query.

R

r.	rouble, Russian coin; rupee, Indian coin.
R/D	Refer to Drawer (Banking).
R.D.C.	Running down Clause (Insce.).
re	with reference to.
Recd.	Received.
Recpt.	Receipt.
Ref.	Reference.
Regd.	Registered.
Retd.	Returned.
R.I	Rhode Island (U.S.A.); Re-insurance (Insce.).
R.L.O.	Returned Letter Office.
rm.	ream.
R.M	Royal Mail.
R.M.S.	Royal Mail Steamer.
R.N.	Royal Navy.
R.P.	Reply Paid.
R.S.V.P.	Please reply (French, *Répondez, s'il vous plait*).
Rly., Ry.	Railway.

S

s.	shilling; sailing vessel; sou (French coin).
$	Dollars (American coin).
S.A.	Subject to approval (Insce.); South Africa; South America; South Australia.
Salop.	Shropshire.
S.C.	South Carolina (U.S.A.).
s. caps., sm. caps.	Small capitals (printing).
Sch.	Schooner; Schedule.
S. Dak.	South Dakota (U.S.A.).
Sec., Secy.	Secretary.
S.E.	South Eastern Postal District of London.
Sen., Senr.	Senior.
S.I.	Short Interest (Insce.).
S.L.	Salvage Loss (Insce.).
Sld.	Sailed.
S.O.	Seller's option.
S.O.D.	Seller's option to double.
sq.	square.
ss., s.s.	steamship.
S.S.C.	Solicitor to the Supreme Court (Scotland).
St.	Saint; Straits; Street.
Staffs.	Staffordshire.
Ster., Stg.	Sterling.
Stk.	Stock.
sup., super.	superficial.
S.W.	South Western Postal District of London.

T

t.	ton (weight).
T/C.	Till Countermanded (Advertising).
Ten., Tenn.	Tennessee (U.S.A.).
Tex., Ts.	Texas (U.S.A.).
thl.	thaler (German coin).
T. & G.	Tongued and Grooved (Timber).
T.G. & B.	Tongued, Grooved and Beaded (Timber).
T.G.& Vjtd.	Tongued, Grooved and V-jointed (Timber).
T.L.	Total Loss (Insce.).
T.L.O.	Total Loss only (Insce.).
T.M.O.	Telegraph Money Order.
T.O.	Telegraph Office.
tr.	tare.
Tr.	Trustee.
T.T.	Telegraph Transfer.

U

U.K.	United Kingdom.
U.K. & C.	United Kingdom and Continent (Insce.).
ult., ulto.	last month (Latin, *ultimo*).
U.S. U.S.A.	United States of America.
Ut.	Utah (U.S.A.).

V

Va.	Virginia (U.S.A.).
viz.*	namely.
vol.	volume.
V.P.	Vice-President.
Vt.	Vermont (U.S.A.).
v.v.	vice versa (*e.g.* London to Bremen, v.v.) (Insce.).

W

W.	Western Postal District of London.
W.C.	West Central Postal District of London.
Wd.	Warranted (*e.g.* Wd. F. C. & S.) (Insce.).
Whf.	Wharf.
W.I.	West Indies.
Wilts.	Wiltshire.
Wis.	Wisconsin (U.S.A.).
wk.	week.
W.O.	War Office.
W.O.B.	Washing overboard (Insce.).
W.P.	Without prejudice (Insce.).
W.S.	Writer to the Signet (Scotland).
W.T.	Washington Territory (U.S.A.).
wt., wgt.	weight.
W. Va.	West Virginia (U.S.A.).

X

xx	Retree (paper containing blemishes).

Y

Y.A.R.	York Antwerp Rules (Insce.).
yd.	yard.
Yorks.	Yorkshire.
yr.	year.
#	number.
$,	dollar or dollars.
′	foot (measure).
″	inches (measure).
∴	therefore.

THE MONTHS OF THE YEAR.

The correct way to abbreviate the months of the year is as follows:
Jan., Feb., Mar., Apr., Aug., Sept., Oct., Nov., Dec.
May, June and July should not be abbreviated.

* The *z* in *viz.* and *oz.* represents a mediæval contraction for *&*. Thus, *viz* = *vi* (for *vide*) and *&* (for *licet*).

ABBREVIATIONS TO BE AVOIDED.

Besides the foregoing comprehensive list, one continually meets with other abbreviations, e.g. *cd.* for could, *shd.* for should, *yrs. fthly.* for yours faithfully, *yrs. try.* for yours truly, *Gents.* for Gentlemen, *Dr. Sir* for Dear Sir and the like, but these should be avoided by the student, especially the vulgar *Gents.*, which no self-respecting clerk should on any account use.

SOME FOREIGN WORDS AND PHRASES IN COMMERCE.

French.

à compte—on account (*i.e.* in part payment).
argent comptant—ready money.
chemin de fer—railway.
compte rendu—account rendered.
édition de luxe—an expensive edition.
grande vitesse—fast goods train.
lettre de change—bill of exchange.
lettre de créance—Letter of Credit.
petite vitesse—ordinary goods train.
poste restante—to be left at the Post Office till called for.
Rentes—French Government Stock.
résumé—a summary.
sans frais—without expense.

Latin.

ad infinitum—to infinity.
ad valorem—according to the value.
Anglice—in English.
de jure—by right.
de facto—actually.
dies non—a day on which the judges do not sit; a day that does not count.
ex parte—from one point of view.
ex toto *—absolutely.
in extenso—at full length.
in re—in the matter of.
in situ—in its original position.
inter alia—among other things.
in toto *—on the whole.
locus standi—a standing-place (*i.e* a right to interfere).
pari passu—at an equal rate; on the same footing.
per—by; by means of.
per annum—by the year
per capita—by the head.
per centum—by the hundred
per diem—by the day.
prima facie—on first consideration.
pro forma—as a matter of form.
pro rata—at the same rate.
re—in the matter of.
sine die—without (naming) a day
stet—let it remain (printing).
sub judice—under consideration.
ultra vires—beyond legal powers.
vice versa—the reverse.

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* In almost every instance these two expressions, *ex toto* and *in toto*, are used in a wrong sense. If one person differs *absolutely* from another upon a particular subject, he differs *ex toto*; if, however, he only *partially* differs from that person upon that particular subject, he differs *in toto*.

APPENDIX

POST OFFICE INFORMATION

[Taken from the Post Office Guide, published half-yearly at 1*s*., and obtainable from any Post Office.]

INLAND CORRESPONDENCE

Inland Correspondence is correspondence posted within the United Kingdom (excluding the Irish Free State) and addressed to any place in the United Kingdom (including the Irish Free State). It is divided into five classes: (*a*) Letters; (*b*) Post cards; (*c*) Printed papers; (*d*) Newspapers; (*e*) Parcels.

(*a*) LETTER POST.

The prepaid rate is: not exceeding 2 ozs. 2½*d*.; for every additional 2 ozs. or fraction thereof, ½*d*. All letters should be stamped to the full amount. An unstamped letter is chargeable on delivery with *double postage;* an insufficiently stamped letter with *double the deficiency*.

Limits of Size : 2 ft. in length, 1 ft. in width or 1 ft. in depth.

Prohibited Articles : Anything inflammable, corrosive, or explosive; or likely to cause injury to Post Office officials or to the other contents of the mail. Letters containing Coin or Jewellery should also not be sent by Letter Post, unless ***registered***, because (1) No compensation for loss during transmission is recoverable; (2) If discovered, they are subject to compulsory registration, and a fee of 6*d*. is demanded from the addressee.

Registration of Letters. All letters may be registered. The fee varies from 3*d*. to 1*s*. 11*d*. ***plus*** the postage. The ordinary charge of 3*d*. entitles the sender to compensation not exceeding £5 in case of loss or damage. Additional compensation can be secured by paying higher fees—4*d*. for compensation up to £20, 5*d*. up to £40, and so on, an extra 1*d*. for every £20. The limit of compensation is £400. The packet must be marked in the bottom left-hand corner with the word "Registered," and when the fee exceeds 3*d*. the word "Registered" must be followed by the amount of the fee proper to the value up to which the sender desires to secure compensation, *e.g.* "Registered, 4*d*.," etc. When claiming compensation, the value of the packet must be proved. Compensation for ***damage*** will only be paid if the packet is marked in addition with the words "Fragile, with care." Letters intended for Registration must ***not be posted in a Letter-box***, but handed over a P.O. counter. A P.O. receipt of registration will be given. Registered letters containing money (including Cheques, P. Orders, Notes, Stamps) should be enclosed **in the official Registered envelopes purchasable at any P.O. If this is**

not done, no compensation in case of loss is claimable. The limit of compensation for coin is £5.

Method of Fastening. All Registered letters (except those in the official Registered envelopes) must be fastened, not merely with string, but also with sealing-wax or lead at all parts (including string-knots) where the contents could be tampered with. This regulation does not, of course, apply to Registered Post Cards, or Newspapers, which even when registered must be open for inspection.

Advice of delivery of Registered Correspondence. The sender may have an advice of delivery, by paying an additional fee of 3*d.* when posting the registered letter or subsequently. The extra fee is payable by means of stamps affixed to an Advice Form provided at the P.O.

Express Delivery Services. Speedier delivery than by the ordinary post may be secured in the following ways (*see also* p. 581):

(1) By special messenger all the way.

(2) By special messenger after transmission by post.

(3) By special delivery in advance of the ordinary delivery at the request of the addressee.

(1) SPECIAL MESSENGER ALL THE WAY.—On week-days only at all the more important P.O.s in London, and in the provinces at all P.O.s from which there is a delivery of telegrams. *Charges* (including charges by any public conveyance, *e.g.* bus, train, etc.): For every mile or part of a mile from the office of delivery to the address, 6*d.* If any special conveyance, such as a motor-cab, etc., is used, the cost of such conveyance must be paid plus the mileage fee.

When several packets are tendered by one sender for delivery to different addresses, or to different persons at the same address, the express fee of 6*d.* will be charged for the full distance traversed by the messenger up to the delivery of the last packet, and an additional fixed charge of 1*d.* for each packet above one. The sender may determine the order in which the parcels are to be delivered.

Method of Posting.—Each packet must be handed over the counter with the word "*Express*" boldly and legibly written above the address in the top left-hand corner of the cover. Money and jewellery can be sent in this way at the *sender's risk* without registration.

Reply and Further Service.—When a reply or further service is required by the sender, the words "Wait reply," or "Wait further service," should be written above the address of the packet. The charges are the same, unless the reply is taken to an address on the messenger's homeward route, or within ½ mile of the P.O. from which the messenger started, in which case only ½ the mileage rate, viz. 3*d.*, is charged.

(2) EXPRESS DELIVERY AFTER TRANSMISSION BY POST.—If express delivery from the nearest P.O. is desired, the words "Express delivery" must be boldly and legibly written as before indicated, and if from the G.P.O., or any head or district office, the words "Express Delivery, G.P.O.," etc Such letters must also be marked both back and front with a broad perpendicular mark from top to bottom. *Method of Posting:* Either in a letter-box or over P.O. counter. *Charges:* 6*d.* per mile from the P.O. from which express delivery is desired, plus the ordinary postage, but no weight fee is charged. Generally speaking, the charge for express delivery in London is never more than 6*d.*, plus the ordinary postage, save when it is expressly delivered from the G.P.O. or head district office to an address outside the ordinary delivery of those offices.

(3) Special Delivery of Correspondence in advance of the ordinary delivery. *Charges.* Full express fee of 6*d.* a mile for each packet, plus 1*d.* for every ten or less number beyond the first packet payable on delivery. Application for this special delivery must be made on the proper form obtainable at most Post Offices.

Railway Letters. Most of the Rly. Cos. of the United Kingdom, by arrangement with the P.M.G., convey, by the next train or steamship, single Inland Post letters not exceeding 2 ozs. in weight, either to be called for at the station of address, or to be despatched by post to the residence of the addressee. Examples of the modes of address are here appended:

J. Smith, Esq.,
Parcel Office,
New St. Station,
Birmingham,
(To be called for)

J. Smith, Esq.,
" Woodside,"
Wimbledon Common,
To Wimbledon Station.
(To be posted on arrival)

Charges. 3*d.* (N. Ireland, 4*d.* generally), plus postage 2½*d.*, to be prepaid—the postage in affixed stamp, and the railway fee in cash. *Manner of Posting.* Must be handed in at the Passenger or Parcel Booking Office of the Rly. Co. over whose line it is to be sent.

Foreign Railway Letters. This scheme has now been extended to include letters addressed to places abroad. (*See* P.O. Guide.)

Late Fee Letters. At certain hours correspondence received is despatched to all parts of the country and abroad. Any letter posted within ½-hour of these times would generally be too late for that particular mail, unless a late fee of ½*d.* is attached to the letter, when it will be generally received up to within 5 mins. of the despatch of the mail. *Manner of Posting.* The late fee stamp should be affixed to the top *left-hand* corner of the letter, and the words "Late Fee" written over it. Such letters must be posted in the *special* boxes provided at the principal P.O.s, or in the letter-boxes provided on all mail trains to which travelling P.O.s or sorting-carriages are attached. In the former case, the correspondence will not be specially forwarded if the postage is not completely prepaid. In the latter case the letter is surcharged 1*d.*, if the late fee is not prepaid.

Private Boxes and Bags. Some large firms rent at the P.O. a private letter box in which all their correspondence (other than parcels) is put, and delivered to them, upon application, at the commencement of the various times of town delivery. An annual charge of £3 10*s.* is made for the use of this box at any Delivery Office in London, at any Provincial Head, Branch, or District Office, which is a Delivery Office, and at any Salaried Sub-office; and £2 at any other Sub-office. *A Private Bag*, in which all correspondence is delivered, can also be rented at an additional annual charge of £1 10*s.*

Re-direction of Letters. Letters may be re-directed free to the same addressee at another address, provided that the re-direction is made not later than the day after delivery (Sundays and public holidays not being counted); and that the letter has not been opened or tampered with.

Poste Restante. Correspondence may be addressed to any P.O.

(except town sub-offices), *to be called for*, but such correspondence must be marked "To be called for," or "Poste Restante." Poste Restante is intended for the accommodation of strangers and travellers, and no one may use the same Poste Restante for more than three months. Correspondence addressed to initials, fictitious names, or Christian name without surname, is not taken in at the Poste Restante, but sent to the Returned Letter Office for disposal. Correspondence must not be re-directed from a private address to a Poste Restante in the same town.

Return of Undelivered Letters. Undelivered letters bearing the full name and address of the sender on the outside are returned to the sender unopened and free of charge.

Prepayment of Correspondence. In order to avoid the labour of stamping large batches of correspondence of a *uniform* postage, the P.O. authorities allow the postage to be prepaid in money provided: (1) That the amount is not less than 10*s*. (2) That the correspondence is tied into bundles containing not more than 60 packets, or in the case of bulky packets into bundles of 10 or some multiple of 10. (3) That the addresses are all arranged in the same direction.

Certificate of Posting for any unregistered letter, post-card, halfpenny packet or newspaper can now be obtained—fee ½*d*.

(*b*) Post Cards.

The sender can use either the post cards issued by the Post Office or private cards made of cardboard, not thicker than the official cards—the limit of size too, being the same, viz., not greater than 5⅞ ins. by 4⅛ ins., and not less than 4 ins. by 2¾ ins. Most business houses use private cards with their name and address, telephone number, etc., printed on the top of the correspondence side of the post card. A post card of the regulation size can be sent anywhere in the United Kingdom for 2*d*; every reply postcard, 4*d*.

Return of Undelivered Post Cards. See p. 571.

Certificate of Posting. See above.

(*c*) Printed Papers.

The limit of weight for this Post is 2 lbs., and it can be used for all printed or written matter not in the nature of a letter. It is usual to send by this Post all business documents of no value except as between the sender and addressee, *e.g.* orders for goods, invoices, receipts for goods or money, confirmation of orders, advice notes, way-bills, statements of account, price-lists, market reports, quotations for goods, inquiries for quotations, circulars, invitation cards, etc. Many other commercial documents, *e.g.* bills of lading, tenders for goods, estimates for work, confirmations of contracts, etc., are also allowed to be sent by this Post, but in practice such documents are most often forwarded by the ordinary Letter Post. *Charges:* not exceeding 2 ozs. 1*d*.; each additional 2 ozs. ½*d*.

Regulations. The writing on the documents sent by this Post must refer solely to the subject-matter, or consist of formulas of courtesy or of a conventional character, not exceeding five words or initials, *e.g.* "E. and O. E."; "With compliments and thanks"; "To follow when ready"; "Triplicate" "Corrected Invoice"; "Order No. 1572," etc. Such phrases as: "Please send cheque by return"; "Your immediate attention will oblige"; "Forward without delay," are not allowed.

The printed form used for the communication must also be one "clearly indicating the purpose for which the form is intended to be used," *e.g.* an ordinary memo. form must not be used for an order. *Typewritten documents* or reproductions of such documents by any "mechanical process ordinarily used to produce a number of copies," are accepted by this Post.

"Every printed packet must be posted either without a cover, or in an unfastened envelope, or in a cover which can easily be removed for examination."

Return of Undelivered Halfpenny Packets. See below.
Certificate of Posting. See p. 570.

(*d*) NEWSPAPER POST.

Only registered newspapers printed and published in the United Kingdom, and issued not less than once a week, can be sent by this Post, at a cost of *1d. for each newspaper.** Any number can be sent in one packet, provided that the total weight of the package does not exceed 2 lbs. Newspapers must be posted either without a cover, or in a cover open at both ends to admit of examination. The newspaper should also be folded so that the title is plainly discernible. Nothing must be written on the newspaper except the name and address of the addressee, the words, "With Compliments," and a short reference (*e.g.* "*See* p. 42") to any part of the newspaper to which the addressee's attention is desired, and a request for return in case of non-delivery.

Note. Monthly, quarterly, and annual magazines are not admissible, and, of course, no letter may be enclosed in any newspaper sent by this post. *Limits of Size.* Same as for Letter Post.

Return of Undelivered Post Cards, ½d. Packets, and Newspapers. Such undelivered correspondence is only returned to the sender when it bears his full name and address on the outside, together with a request for return in case of non-delivery. A second postage is charged for this service.

Certificate of posting. See p. 570.

(*e*) PARCELS POST.

The rates for postage—which must be prepaid—on parcels are as follows:

	s.	*d.*
Up to 3 lbs.	0	7
Exceeding 3 but not exceeding 4 lbs....	0	8
Exceeding 4 but not exceeding 5 lbs....	0	9
Exceeding 5 but not exceeding 6 lbs....	0	10
Exceeding 6 but not exceeding 7 lbs....	0	11
Exceeding 7 but not exceeding 8 lbs....	1	0
Exceeding 8 but not exceeding 15 lbs....	1	1

Limits of size. Length must not exceed 3½ ft., nor the length and girth (*i.e.* the measurement round its thickest part) exceed 6 ft.; *e.g.* if a parcel measures only 3 ft. in length it may be as much as 3 ft. in girth.

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* Not exceeding 6 ozs. in weight. A further charge of ½*d.* for each additional 6 ozs. or fraction.

Method of posting. The parcel must not be posted in a letter box but handed over a P.O. counter. It should be marked "Per Parcel Post" in the top left-hand corner of the printed label (*see* p. 40) which most firms stick on the outside wrapper. A receipt should be obtained from the P.O. authorities, either on a form provided at the P.O., or in an ordinary Parcels Book. There is no Sunday delivery of parcels.

Compensation in Case of Loss. The P.M.G. is not legally liable, but compensation up to £2 for a parcel, the loss of which is proved to be due to the P.O. authorities, is given, provided that a receipt is taken at the time of posting, and is produced as evidence of despatch.

No compensation, however, is claimable in respect of the loss of money (including bank-notes, postage stamps, etc.) sent by Parcel Post, registered or unregistered, or in respect of the loss of *unregistered jewellery*, or in respect of *damage* to fragile goods, such as eggs, fruit, fish, etc.

Parcels for the Channel Islands and the Isle of Man are accepted at the same rate of postage as for any other part of the United Kingdom, but senders of parcels to the Channel Islands and the Irish Free State are required, for Customs purposes, to make a declaration of contents on a form provided for that purpose. Parcels for the Isle of Man, though liable to Customs examination do not, however, require a declaration of contents.

Special Regulations. Eggs, fish, meat, fruit, and vegetables, can only be sent by Parcels Post. Parcels containing glass or eggs should be packed very carefully and marked "*Glass with care*"; "*Eggs with care.*" Careless packing resulting in damage to other goods makes senders liable for penalties.

Registration of Parcels. The same regulations apply as in the case of Registered Letters. *See* p. 567.

Re-direction of Parcels. Parcels when re-directed are liable for additional postage at the prepaid rate for each re-direction, unless the original and the second address are both within the delivery of the same P.O., and that the re-direction is made not later than the day after delivery (Sundays and public holidays not being counted).

IMPERIAL AND FOREIGN POST

LETTER POST.

Rates. 2½*d.* for first oz.; 1*d.* per oz. after to all British Possessions, to the U.S. and to Egypt; 3*d. for the first oz. and* 1½*d. each additional oz.* for all other places abroad.

Dutiable Articles sent by Letter Post are liable to fine or confiscation as well as the Customs duty.

Reply Coupons. In the case of certain countries indicated in the Postal Guide, a prepaid reply can be provided for by purchasing a 3*d.* coupon at a P.O., which the addressee can exchange for a stamp in the postage of the country to which the letter is sent.

Special Postal Conditions apply to some countries. (*See* P.O. Guide.)

Re-direction of Letters to the same addressee can be effected free of charge, except when the re-direction is made to some country in which the rate of postage is higher than that originally prepaid —the limit of time being the same as for Inland Correspondence (*see* p. 569). Correspondence insufficiently addressed and returned to the sender for fuller particulars is liable for fresh postage.

Express Delivery of Letters. All correspondence can be delivered, by special messenger on arrival at its destination, in some few Foreign Countries and British Possessions (*see* P.O. Guide). It must be marked "Express," and prepaid 6*d.* in addition to the postage. This charge covers express delivery, if the place of delivery is in the immediate neighbourhood of a P.O.: if not, additional charges are made and collected from the addressee.

Undelivered correspondence returned to this country is delivered to the sender where possible, free of charge, except in the case of printed papers, ½*d.* packets, and Canadian magazine post packets, which, when returned, are charged on delivery with the original postage payable.

Registration. The fee is 3*d.*, *except for parcels*, which cannot be registered. In the case of letters containing coin, jewellery, and other precious articles, registration is only possible for those British Colonies not in the Postal Union. Correspondence addressed to certain countries (*see* P.O. Guide) can only be registered to the port of arrival. *Compensation for loss.* Except for loss through tempest, shipwreck, earthquake, or war, the P.O. authorities of all countries *in the Postal Union* undertake to pay an indemnity not exceeding £2, when it is proved that a registered packet was lost while in their charge. *Regulations.* No letter addressed in pencil or to initials can be registered. Every registered letter must be enclosed in a strong envelope, securely fastened, and the declared value of the contents must *not* be marked on the outside, unless it is also insured. The remaining regulations are as for Inland Registered Correspondence. *Advice of Delivery* can be obtained for an additional fee of 3*d.* affixed in stamps to a form provided for that purpose.

For Insurance of Letters, see p. 575.

Certificate of Posting. See p. 570.

POST CARDS, PRINTED AND COMMERCIAL PAPERS.

Post Cards. The postage is 2*d.* to any place within the Empire, to the U.S., Egypt and certain mandated territories. To other places, the postage is 2*d.* An Inland Post Card may be used as a foreign card.

Printed Papers (*i.e.* impressions or copies obtained upon paper, parchment or cardboard by means of any mechanical process) may be sent at the rate of 1*d. per* 2 *ozs.* Under this heading are included books (bound and unbound), newspapers, pamphlets, circulars, catalogues, prospectuses, etc. The same regulations apply to typewritten or written copies produced by the copying press as in the case of the Inland Printed Papers. Books, Papers, music, etc., may contain the invoices relating to them.

Commercial Papers (*i.e.* all papers, documents written wholly or in part by hand, when not in the nature of a letter). The rate is 2½*d.* for the first 10 ozs. *or under*, and ½*d.* for each extra 2 ozs.

Limits of Size and Weight for Printed and Commercial Papers. Limit of size for packets sent to British Possessions, or to Non-Union Countries or Colonies, is 2 ft. in length and 1½ ft. in width or depth; to Foreign Countries in the Postal Union the length is limited to 1½ ft. Packets in the form of a roll may not, in any case, exceed 2½ ft. in length, and 4 ins. in diameter. *The limit of weight* varies from 4 lbs. to 5 lbs. (See P.O. Guide.)

Manner of Posting. Same as for the Printed Papers Post.

Undelivered packets will only be returned if the name and address of the sender are on the outside.

Duty on Advertising Matter. Some Colonies levy a duty on advertising matter (*i.e.* catalogues, price lists, etc.). This, in one or two cases, is not enforced so far as British firms and companies are concerned. This duty may either be paid by remittance direct to the Postmaster-General at the different capitals, or by affixing Fiscal Stamps to be obtained at the offices of the respective High Commissioners in London.

Canadian Magazine Post. All newspapers registered in the United Kingdom can be sent to Canada under the same conditions as for Inland transmission, at rates which will be found in the P.O. Guide; packets not exceeding 2 ozs. in weight can be sent for ½*d.* Other magazines, newspapers and trade journals, are also eligible, provided (1) They are printed and published and sold in the United Kingdom at intervals of not more than thirty-one days; (2) they are paper-bound; (3) not more than five-sixths consists of advertisements; (4) a copy of the periodical be sent with a fee of 5*s.* per annum to the Secretary of the P.O. *Limit of Weight:* 5 lbs. *Limits of Size:* 2 ft. in length by 18 ins. in width or depth. These regulations also now apply to packets sent to *Newfoundland* by direct Packet, or *via* Canada by direct Canadian Packet. They do not, in either case, apply to packets sent *via* New York.

Certificate of Posting. See p. 570.

SAMPLE POST.

The use of this post is restricted to (1) Samples of *bona-fide* merchandise of no commercial value; (2) Natural history specimens, dried plants, etc., sent for no commercial purpose. *Charges.* 1½*d.* for 4 ozs.; ½*d.* each additional 2 ozs., maximum 8 ozs. *Limits of Size.* To British Possessions and Non-Union Countries, 2 ft. long, 1 ft. wide or deep. To Foreign Countries generally, 18 ins. long by 8 ins. wide by 4 ins. deep, unless in the form of a roll, when the limits are 18 ins. in length by 6 ins. in diameter.

Limits of Weight. For British Possessions generally, 5 lbs. For Foreign Countries generally, 1 lb.

Manner of Packing and Address. Must be packed so as to be easy of examination, and, when practicable, in covers open at one end.

For Non-Union Countries. Samples must not contain anything except names and addresses of the sender and addressee, a trade mark or number, price, weight, size, and quantity of the article.

For Union Countries. Samples may contain, besides the above, any printed papers, and also commercial papers, if the rate applicable be paid.

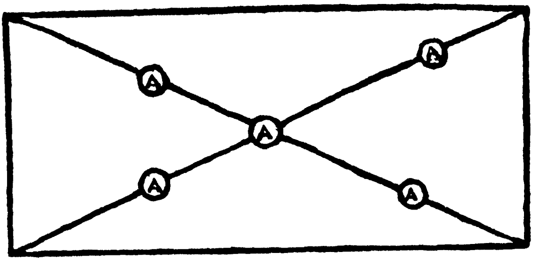
Certificate of Posting. See p. 570.

PARCELS POST.

The rules for posting and addressing are similar to those for Inland Parcels. But for every foreign and colonial parcel a Customs Declaration (on a form obtainable at any P.O.) must be filled up declaring the value and contents.

Two forms are in use: (1) *An Adhesive Form* (*A*) for parcels to most British Possessions and a few Foreign Countries. (2) *A Non-Adhesive Form* (*C*) for all other Foreign Countries. When this form is used the sender must also fill up a Despatch Note obtainable at most P.O.'s. Sometimes more than one *C* form is necessary. *Rates* vary for different countries. A full list is given in the P.O. Guide. The following are the limits of size and the form of declaration required for the principal countries. The figure after *C* in the second column denotes the number of non-adhesive forms required. *See* p. 576.

General Regulations. No letter may be enclosed in any parcel sent to a Foreign Country, and to many British Possessions, but parcels for Aden, Kenya and Uganda, British Guiana, Ceylon, Jamaica, India, and Malta, may contain one letter only for the addressee. Any parcel may contain an invoice in an open envelope. *Coin* (unless clearly intended for ornament) or bullion exceeding £5 in value, cannot be sent by Parcel Post from this country to Foreign Countries. *Coin, watches, jewellery,* or any article of gold or silver, must be insured for at least part of their value, if they are sent to any Foreign Country or British Possession included in the Insurance System, and must also be packed in accordance with the regulations for insured parcels given below.



Re-direction of Parcels addressed to the United Kingdom involves additional postage for each re-direction, unless the original and second address are both within the delivery of the same P.O. and the re-direction is made not later than the next business day after delivery.

Undelivered Parcels. The sender is advised and his instructions conveyed to the P.O. at which the parcel is lying. Returned parcels are subject to the ordinary rates of postage, and in the United States and some continental countries also incur charges for warehousing.

Insurance Though parcels cannot be registered, they can, in many cases, be insured, which amounts practically to the same thing. Letters also containing bank-notes, coupons, securities, etc., can be insured, but post cards, printed and commercial papers and samples cannot be insured.

Manner of Posting. Insured letters must be handed in at a P.O. counter, and must be enclosed in a strong envelope, securely fastened and sealed with wax in the manner shown above, and impressed with a private device that cannot easily be imitated.

Mourning envelopes, or those with coloured borders or transparent panels, must not be used, and if the packet is tied with string the knots must be sealed. Parcels for insurance must be very strongly packed.

Place of Destination.	Form of Declaration.	Limits of Sizes.		Rates.
		Length, breadth, or depth.	Length and Girth combined.	
France, Ceylon	C 1	3½	6	*For Rates, see Post Office Guide.*
Holland	C 3	3½	6	
Belgium	C 2	3½	6	
Denmark, Norway	C 1	3½	6	
Egypt	C 2	3½	6	
Barbados, Bermuda, Br. Guiana, Br. Honduras, Br. N. Borneo, Burmah, Cyprus, Falkland Islands, Gambia, Gibraltar, Grenada, Hong Kong, Jamaica, Leeward Is., Malay States, Malta, Mauritius, Morocco, St. Lucia, St. Vincent, Sarawak, Sierra Leone, Str. Settlements, Trinidad	A	3½	6	
India	C 2	3½	6	
Germany	C 1	3½	6	
Canada	A	3½	6	
Newfoundland	A	3½	6	
*New Zealand	A	—	—	
Austria	C 1	3½	6	
Hungary	C 2	3½	6	
Russia in Europe, Honduras	C 3	3½	6	
Brazil	C 1	3½	6	
Nigeria	A	3½	6	
Costa Rica	C 2	3½	6	
China	A	3½	6	
Sweden	C 1	3½	6	
Italy, Switzerland	C 2	3½	6	
Portugal	C 1	3½	6	
Spain	C 4	3½	6	
Argentine Republic	C 2	3½	6	
Guatemala, Honduras, Japan, Peru	C 1	3½	6	
Chile, Uruguay	C 2	3½	6	
Greece	C 2	3½	6	
United States	A	3½	6	
Australia	C 2	3½	6	
Union of South Africa	A	3½	6	
Rhodesia	A	3½	6	

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* Length and girth combined, either 4 ft. or 6 ft. limit. 4 ft. rates are lower.

and properly sealed with wax or lead; all string knots must be sealed; and the same coloured wax and the same private device used throughout.

Regulations. The amount for which a letter or parcel is insured must be stated both in words and figures on the address cover or label, *e.g.* "Insured for Fifty Pounds (£50)," and care must be taken not to alter or erase this inscription. In the case of a parcel the amount insured must also be stated on the Despatch Note (necessary where form *C* is used).

Limit of Insurance varies with different countries (*see* P.O. Guide). As in some cases, *e.g.* New Guinea, Guatemala, Mexico, Canada, Bismarck Archipelago, etc., no compensation is paid by the P.O. for loss of, or damage to, parcels, Insurance does not offer any advantages. In other cases, a limit of value is fixed for any one parcel. *Rates* are 5*d.* for the first £12 or less of insured value, and 2*d.* for every additional £12, or part thereof, up to £400.

Method of Payment. By stamps (as few in number as possible) affixed to the cover of the letter or parcel, with a *space* between each stamp. A certificate of postage must always be obtained by the sender.

Re-direction of Insured packets (for which a fresh insurance fee is charged) can only be made to those countries which have adopted the Insurance System.

Claims for Compensation in case of loss can be made either by the sender or addressee. The P.M.G. is not, however, legally liable. He only gives compensation as an act of grace.

Compensation for Uninsured parcels may also be paid as an act of grace by the P.M.G., when such parcels are lost in transit between the United Kingdom and most British Possessions, and between the United Kingdom and the chief Foreign Countries. But in no case will the compensation exceed £1 12*s.*, and in the case of some countries the limit is lower.

Cash on Delivery Service. The P.O. authorities undertake to collect from the addressee the value of articles sent by post from Great Britain and N. Ireland to certain British Possessions (*see* P.O. Guide).* The value of the articles, called the *Trade Charge* (including postage and collection charges), must not exceed £40, and such articles may be sent either as insured or uninsured parcels, insured letters or registered packets *Method of Address.* The sender's name and address, together with the amount of the Trade Charge in figures and words, and the name of the office on which the M.O. or P.O. in payment of the Trade Charge is to be drawn, must appear on the cover of the packet. The sender must fill up a special Trade Charge Card, which will eventually be returned to him as a M.O. for the full amount entered on it. *Method of Posting.* The packet must be handed in at a P.O. counter, and a certificate of posting obtained which must be given up when the M.O. is presented for payment.

The same regulations apply to parcels sent to the United Kingdom *from* those countries participating in the Service, except that when the Trade Charge is over £10, the parcel will be kept at the P.O. to be called for, notice of arrival being sent to the addressee. (For charges *see* P.O. Guide.)

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* Also France, Holland, Belgium, Germany, Denmark, Norway, Sweden, Switzerland, and Egypt, etc.

In 1926, an Inland C.O.D. service was inaugurated.

INLAND TELEGRAMS.

Charge. 9*d.* for nine words, including address, and 1*d.* each additional word.

A Prepaid Reply of not more than forty-eight words may be obtained by affixing in stamps the estimated amount of the reply to the telegraph form. This reply may be used for any message within 12 months, and, if not used, the value will be refunded to the original sender, provided application is made to the local Postmaster within 12 months.

Counting of Words. Each word in a modern European language or in Latin counts as one word, but words of any other language or unintelligible combinations of letters are charged at the rate of five letters a word.

Hyphen words such as *son-in-law, procès-verbal, fifty-three, warehouseman,* count as one word; so also do all names of towns and villages in the United Kingdom. Names of railway stations not in towns used by the P.O. for telegraphic purposes, *e.g. Ashby-de-la-Zouch, Bodmin Road, Stratton-on-the-Fosse,* are each counted as one word.

Names with a prefix such as: *De Crespigny, De la Touche, O'Byrne, Mac Neill, St. Pancras,* are charged as one word, but *double names,* like *Massey-Mainwaring, Smith-Dorrien,* are charged as two words.

Names of Town Sub-Offices and Branch Offices, and all other names, including the names of *Streets, Roads,* etc., are reckoned according to the number of words they contain, thus: *Drury Lane, Hanging Ditch, Oxford Street,* are each counted as two words.

Exceptions. The name of a county or town added to the name of another place to distinguish it from other places of the same name is not counted, *e.g. Newport* (*I. of W.*), *Newport* (*Mon.*), *Bradford* (*Manchester*), *Bradford* (*Wilts*), are each counted as one word.

Figures count at the rate of five figures as one word; *Fractions* according to the number of figures in them, the division mark being reckoned as one figure, *e.g.* 2½, 12½, are counted as one word, but 112½, 1112½ would each be two words. A stop or stroke between figures is reckoned as one figure, *e.g.* 10/12, 10.12, is each one word; 10/12/09, 10.127, each counts as two words.

Ordinal Numbers. The suffixes *st, nd, rd, th,* are counted as two figures, thus: 1*st*, 2*nd*, are one word each, 1500*th* counts as two words. When, however, any other letter precedes or follows a figure or group of figures it counts as a word, thus: 193*a* and *B*105 each count as two words

Exception. In addresses a letter after the number of the house counts as a *figure,* thus: 119*a Fore St.,* would count as three words.

Initial Letters are each counted as one word, thus: *Mr. A. P. Smith* would be four words; *A. C. Payne, Esq., M.D.,* would be six words.

Exceptions. Letters used as abbreviations, such as: *o/o, a/c, d/s, B/L, B/E, c/o,* A.M., P.M., are counted as one word; so are the initials of a postal district (*S.W., N.E.,* etc.).

Underlined Words and Punctuation Marks. Underlined words are charged one extra word, and each punctuation mark counts an extra word.

Special Instructions, such as *Private, Confidential, "To be opened at once," "Urgent,"* and the like, can be written on the outside of the envelope conveying the message to the addressee. Such words are charged as part of the message.

Mode of Writing Telegrams. They should always be written upon the proper Telegram Forms provided free of charge at the P.O.

Books of Telegram Forms with embossed 6*d*. stamps, containing twenty interleaved forms, and with a sheet of carbonic paper, can be obtained from the P.O., price 10*s*.

Certified Copies of telegrams can generally be obtained from the local Postmaster at a charge of 6*d*. per copy.

Repetition of Telegrams. Both the sender and the receiver may have telegrams, or any part, repeated at a charge of half the ordinary rate. Should the repetition disclose a mistake on the part of the P.O. this charge is refunded. Important telegrams, *e.g.* those relating to prices, or those in cipher or code, should be repeated.

Registered Telegraphic Address. Any person may register his address in an abbreviated form, consisting of two words (one being the name of the town or place of delivery) for the sum of £2 per annum, payable in advance.

Re-direction of Telegrams. Telegrams can be re-directed to a second address either by: (1) A P.O. official, provided a notice to that effect is given on the required form; (2) by an agent of the addressee.

Extra Charges. If additional service is performed, an additional charge of 1*s*. is made, should the second address be in the same town; if in a different town, the full inland rate. Telegrams can, however, be re-directed for transmission *by post* free of charge.

Undelivered Telegrams. The sender may have an undelivered telegram presented a second time to the same address, or to another address in the same town at a cost of 1*s*. extra, or to another town (or another London Postal District) at an additional cost of the full inland rate.

A prepaid telegram may be posted in an envelope marked "*Telegram immediate*," or handed to a rural postman.

Cancelling Telegrams. Telegrams may be cancelled *before transmission*, and the cost refunded, less a fee of 4*d*. for cancellation. If it has been or is being transmitted, the cost will not be refunded.

Late Fees for Telegrams. Telegrams can be accepted after the usual hours on payment of certain fees. (*See* P.O. Guide.)

IMPERIAL AND FOREIGN TELEGRAMS.

Charges vary from 2½d. to 4*s*. 0*d*. per word. Payment to be made by means of affixed stamps. *Method of Writing.* Either on the special forms provided at the P.O., or else on the forms of the various Cable Companies. The telegrams may be written in Plain language, or in Code language with restrictions. When written in *Plain* language, *i.e.* in the words of any of the following languages, English, French, German, Italian, Portuguese, Dutch and Latin, Roman characters must be used—the old method of writing German, for example, is not permissible. No word used must contain more than fifteen letters, or it will be charged as two words. *Hyphen names.* Compound family names, names of towns, etc., written without using the hyphen are counted as one word, provided they do not contain more than fifteen letters, thus: *Bouverietracy* would be one word, *Bouverie-Tracy*, two words. *Newcastleontyne* would be one word; *Newcastle-on-Tyne*, three words. Words must not be misspelt so as to bring them below the maximum, nor is it allowed (except in examples like the above) to join together two or more words to avoid payment.

Code Language (*see* p. 64). No word used must contain more than ten letters. *Cipher Language* (*see* p. 65). Every separate letter or figure, or every group of five letters or figures, is charged as one word.

In Addressing a Foreign Telegram to a person at the house of another person whose name is given, *Chez* instead of *c/o* should be used, *e.g. Brissot chez Didereau Frères,* 11 *rue de Richelieu, Paris.*

Replies can be prepaid to any amount (minimum, 1*s.* 3*d.*), but RP. (charged as one word) must be inserted before the address of destination. *Unused reply forms.* The sender can recover the cost by returning the unused form; he can also recover the balance (if not less than 1*s.* 8*d.*) should the reply cost less than the amount prepaid. In both cases application must be made to the Secretary, G.P.O., within six months of the day of issue.

Repeated Telegrams. A sender can have a foreign telegram repeated at a cost of one-half the original charge, plus the charge of one word for the letters T.C., which must be inserted before the address of destination. If repetition is only desired between the transmitting office and the last P.O. in the United Kingdom at which it is dealt with, the charge is the full inland rate.

Charges are returned: (1) For a Plain language telegram, if useless through inaccurate transmission; (2) for code and cipher telegrams for the same reason, but only if the telegram has been repeated; (3) for all telegrams unduly delayed in transmission; (4) for telegrams cancelled before transmission, less 4*d.* cancellation fee.

Telegrams to Catch Outgoing Mails. If an important communication, say for America, posted in the ordinary way, would be just too late to catch the next American mail, a quick way of despatch (if the expense of cabling is not desirable) is to telegraph it to Liverpool, with instructions to forward it thence by post. *Method.* The sender must write "Post" (not charged for) before the addressee's name and address, and the word "Liverpool" at the end of the address, *e.g. Post Smith,* 15 *Barclay Street, New York, Liverpool.* In such cases the full address must be telegraphed, the use of Registered Cable addresses not being allowed. *Examples.* A telegram of twenty-four words sent in this way to New York would cost 2*s.* 2½*d.*, *i.e.* 2*s.* 1*d.* for the telegram (including 1*d.* for the word "Liverpool"), and 1½*d.* for postage to New York. (*See* P.O. Guide for further information.)

TELEPHONES.

Charges. The rental for an exclusive line for business subscribers within a radius from the Exchange of ten miles from Oxford Circus in London is: £1 18*s.*; Birmingham, Glasgow, Liverpool and Manchester (radius 7 miles), £1 15*s.*; other districts, £1 12*s.* Excess mileage per furlong, 5*s.* per quarter. In addition, a fee of 1*d.* is charged for each local call.

Trunk Lines. The Telephone Trunk Lines which connect the various Telephone Exchanges throughout the Kingdom can be used by callers at Post Offices which are connected with the Trunk Telephone system as well as by subscribers and callers using the Telephone Exchanges.

The fees for Trunk Calls, *i.e.* calls not covered by the Local Message fee of 1*d.* (2*d.* in the case of a call from a Public Call Office), are to be found in the P.O. Guide.

In addition to the prescribed fees a special charge of 1*s.* per message is made for day calls between Great Britain and Ireland and 6*d.* at night.

These charges are in addition to the local fee, and are based on the radial distances between the respective Exchanges.

The unit period of conversation is three minutes from the time when the caller or subscriber has been informed that the connection is completed, but any caller, by prepaying a double fee, may secure the option of extending a three minutes' conversation to six minutes on demand at the end of the first period.

Overseas Telephone Services. Telephonic communication can now be obtained from London and all parts of Great Britain to the various countries of Europe and most of the world. For the purpose of charging for calls each country consists of one or more zones. For example, Great Britain has one zone, Canada and U.S. four, while Germany has twelve. Full charges are in force during the day. Night charges (7 p.m.–8 a.m.) are roughly three-fifths of the dav charges. The unit charge covers three minutes' conversation.

Telephone Telegrams. The telephone may be used for the dictation of messages to telegraph offices for onward transmission as telegrams subject to certain conditions. Telegrams may also be delivered to telephone subscribers by telephone, and may be addressed to subscribers' telephonic addresses. (*See* P.O. Guide.)

Telephone Letters. Telephone subscribers and the public may telephone messages to many P.O.s which can be reached through the local Exchange system, or by means of the Trunk wires, in order that the messages may be written down and dealt with as express letters or ordinary letters. Such letters can be delivered by messenger only during the hours of telegraph business, and not on Sundays at any place outside the London Postal District.

An *Express letter* telephoned to a P.O. is delivered for the usual express delivery fee (*see* p. 568) if it does not contain more than 30 words, including the address. If it exceeds that number, 1*d.* is charged for each additional 10 words, or part thereof.

An *Ordinary letter* may be telephoned for transmission by ordinary letter-post at a charge of 1½*d.* for each 30 words or part thereof, in addition to the appropriate telephone fee.

The charge for the use of the telephone is the same as in the case of an ordinary call.

Any person receiving an express letter which has been telephoned may send another express letter back to the P.O. to be telephoned to the sender of the original message. Full express and telephone fees are payable for the reply as for a separate message.

Any subscriber to a Telephone Exchange may obtain the services of an express messenger by telephoning to the nearest P.O. which is connected with his Exchange. The fees for the Express Service are calculated upon the whole distance travelled by the messenger from the P.O.

RADIOTELEGRAMS

Radiotelegrams are accepted at any Telegraph Office for transmission to ships equipped with wireless telegraph apparatus through any of the coast stations in the list given in the P.O. Guide.

For charges *see also* P.O. Guide.

AIR MAILS

Direct Air Mails leave London every week for India, Straits Settlements and South Africa.

MONEY ORDERS AND POSTAL ORDERS

A Money Order (*see also* p. 125) is an order made by one Post Office upon another *specified* Post Office for the payment on demand to a named person a certain specified sum of money not exceeding £40. The name of the payee and the remitter are not inserted in the body of the original Order, but are contained in the letter of advice sent together with a carbon duplicate of the Order, to the paying office.

A Postal Order (*see also* p. 124) is an order made by one Post Office upon *any other* Post Office for the payment upon demand to a named person a specified sum of money not exceeding £1 1*s.* (plus 5*d.* in affixed stamps).

The differences between Money Orders and Postal Orders are: (1) An application form is necessary for a M.O., but not for a P.O.; (2) the limit for a M.O. is £40, for a P.O. £1 1*s.* 5*d.*; (3) the payee's name is not inserted on the M.O. until it is presented for payment, but the payee's name can be inserted on a P.O. either by the remitter or the payee; (4) the payment of a M.O. can only be made at one specified office (except when paid through a bank), but the place of payment of a P.O. rests either with the remitter or the payee; (5) when presenting a M.O. for payment at a Post Office the payee must sign his own name and must furnish also the name of the remitter, but when presenting a P.O. the payee is only required to sign his own name; (6) a M.O. can be telegraphed, a P.O. cannot; (7) a P.O. contains a Counterfoil which can be filled in and filed for reference, a M.O. does not; (8) an uncrossed P.O. in which the payee's name has not been inserted is subject to compulsory registration if discovered by the Postal authorities during transmission, a M.O. is not so liable; (9) a M.O. is legally void if not presented for payment within *twelve months* after the month of issue, but if good reason is given for the delay, a new order, subject to a charge of 6*d.*, will be issued. A P.O., if not presented for payment within *three months*, will only be paid on payment (by means of stamps affixed to the *back* of the order) of a commission equal to the original poundage. If not presented within *six months* from the last day of the month of issue, the order must be sent to the Controller of the M.O. Dept., London, with a request for payment at some specified office; (10) a P.O. is payable on demand, but the payment of a M.O. may be deferred for a period not exceeding ten days.

Inland Money Orders. The rates of poundage on Inland Money Orders are:

For sums not exceeding £3	4*d.*
„ „ above £3 and not exceeding £10	6*d.*
„ „ „ £10 „ „ £20	8*d.*
„ „ „ £20 „ „ £30	10*d.*
„ „ „ £30 „ „ £40	1*s.*

No single M.O. is used for more than £40, and no order may contain a fractional part of a penny. The above rates apply to orders issued for payment in the Irish Free State.

Application for Money Orders must be made upon the printed requisition form supplied free of charge at all M.O. offices, and the payee's name, title, or designation, should be stated as fully as possible. *Crossing the Order.* The remitter may request the Postal official issuing the order to cross it, or may cross it himself.

Transmission of the Order. Duplicate copies are made, one of which is handed to the remitter and the other is sent to the paying office, together with a Letter of Advice, stating the amount and the payee's and remitter's names. Unless the order be presented through a bank the person presenting it for payment must furnish the remitter's name.

Stoppage of Payment of an order payable in the United Kingdom can be made by sending notice (accompanied by 4*d.* in stamps) to the paying office. If, however, the order is crossed the notice should be sent to the Controller of the M.O. Dept., London, N. 7, unless the order was issued in Scotland, in which case notice should be sent to the Accountant, G.P.O., Edinburgh.

Deferring Payment. A remitter can defer payment of a M.O. for a period *not exceeding ten days* by filling up the request at the foot of the Order and informing the issuing postmaster of the fact.

Loss of Order. If lost *in post* a duplicate will be granted free of charge upon written application, with the necessary particulars, to the Controller of the M.O. Dept., or to the Accountant, G.P.O., Edinburgh or Dublin, according to the country of issue. If lost either by remitter or payee a fee of 6*d.* (which should be forwarded with the application for a duplicate order) is charged.

Lapsed Orders. A Money Order is legally void if unpaid at the end of 12 months from the month in which it was issued, but if a good reason can be given for the delay in presenting it, an application for a new Order subject to a deduction of 6*d.* is entertained.

Inland Telegraph Money Orders. Money can be transmitted by telegraph from any M.O. office in the United Kingdom (which is also a despatching office for telegrams) and made payable at any other M.O. office, which is also an office for the delivery of telegrams. *Limit:* £40. *Charges.* The ordinary M.O. charges, plus the cost of the telegram, plus an extra fee of 2*d.* *Delivery.* (1) At payee's address; (2) to be called for at a Post Office. If to be called for, the remitter should fill in the name of the paying office in the space provided, and give the payee's address as, "Post Office." *Presenting for Payment.* If the M.O. is addressed "to be called for," the payee must produce some evidence of his identity. *Deferred Payment.* Telegraph M.O.s cannot be deferred in payment. *Crossing.* By paying for the word "crossed" in the telegram of advice the remitter can have the Telegram M.O. crossed. *A Private Message* (limit: twelve words) from the remitter to the payee can be included in the telegram. *A Certificate of Issue* is handed to the remitter and should be filed. *Advice of Payment* can be had on payment of 2*d.*, plus the cost of telegraphing "Advise payment," and the remitter's name and address.

Imperial and Foreign Money Orders. *Charges.* Not exceeding £1 is 6*d.*; over £1 but not exceeding £2, the charge is 1*s.*; over £2 and not exceeding £3, it is 1*s.* 6*d.*; and 3*d.* for every £1 or part of £1 above £3. Limit: £20–£40. (*See* P.O. Guide.) *Limit* varies with different countries, but in no case exceeds £40. *Form of Application.* A special form must be filled up, and the remitter will receive either (1) A M.O. to be posted to the payee; (2) a Certificate of Issue, in which case payment will be made by means of an Order issued by the Postal authorities abroad. (*See* P.O. Guide.) M.O.s for transmission abroad should be taken out at least *one day* (in some cases *two days*) before the mail-day, but may be taken out later if the remitter pays the cost of a telegram to the M.O. Dept., London, plus a fee of 6*d.* *Payment of Orders Abroad.* The P.O. Guide gives full information as to the currency in which payment is made, and its relation to English currency.

Lapsed Orders. Orders issued in the United Kingdom and payable abroad are, with some exceptions (*see* P.O. Guide), valid for twelve months after issue.

Foreign Telegraph Money Orders may be sent to and received from all countries marked T in the P.O. Guide. *Charges.* Ordinary Foreign M.O. charges, plus the cost of a telegram of advice at the ordinary foreign rate, plus a fee. *Regulations.* The general regulations for Foreign M.O.s and Inland Telegraph Orders apply as far as they are applicable.

POSTAL ORDERS

Postal Orders (*see also* p. 124) are issued at 6*d.* up to £1, and also at £1 1*s.* The nominal value of any P.O. may be increased up to 5*d.* by affixing stamps (not more than two in number) to the space provided on the face of the Order. *Charges:* 1*d.* from 6*d.* to 1*s.* 0*d.*; 1½*d.* from 1*s.* 6*d.* to 5*s.*, and 2*d.* from 6*s.* to 21*s.* *Counterfoil.* Each P.O. is provided with a counterfoil, which should be filled up, torn off, and filed. In case of loss of the P.O. through the post, the counterfoil must be produced when making any application to the Postal authorities.

Transmission to the Payee. Before transmitting, the remitter should fill in the payee's name, but it is better to leave blank the paying office, unless accurately known.

Postal Orders Payable Abroad. P.O.s issued in the United Kingdom are payable in many of the British Possessions. (*See* P.O. Guide.)

TEST PAPER XXXV

1. Show the letter Southey and Co. would write to Cookes and Burrell advising them that a case had been forwarded per L. and N.E. Railway and requesting them to ship the case to Ford & Co. of Cape Town and insure A.A.R. for £30. (*West Riding C.C. Inter.*)

2. Distinguish between (*a*) Customs; (*b*) Excise; (*c*) Specific; (*d*) *Ad valorem* duties. (*West Riding C.C. Adv.*)

3. On May 15 Parfitt ordered Hooper and Co. to send some goods by Sutton and Co., carriers. Hooper and Co., however, forwarded them by passenger train and Parfitt had to pay 3*s.* 9*d.* more for carriage than he would have paid had his instructions been observed. Show the letter Parfitt would write to Hooper and Co. and the document that would accompany the letter.

4. Make out a Consignment Note for the goods mentioned in Q. 3, assuming that they were packed in two cases addressed to the consignee.

Wt. in each case, 1 cwt. 1 qr. 2 lbs.; carrier, L.M.S. Railway. Carriage forward.

5. When one of the cases referred to in the previous question was opened it was found that the lid had been so badly nailed on that the greater part of 6 rms. of Foolscap had been damaged through nails being driven into them. Draft a letter from J. Parfitt, the consignee, to Hooper and Co.

6. What articles imported into England are dutiable? Where do they come from? (*N.U.T. Elem.*)

7. You are instructed to despatch a bale of goods to Prague. How will you set about it? What points need special attention? (*N.U.T. Elem.*)

8. Suppose you lost a cheque given to you by your customer. What steps would you take, and what is your position with regard to the giver of the cheque?

9. What would be the result if you paid into your bank (1) a torn cheque, (2) a cheque where the words and figures differed?

10. Draw a cheque on the Midland Bank in a form which in your judgment offers the maximum of security.

11 Describe what you know about cheques. (*Lancs. and Ches. Union.*)

12. From the following particulars draw a cheque payable to bearer. Drawer, S. Silverlock; drawees, West and North Riding Banking Co.; payees, The Roundhay Estates, Ltd.; amount, £86 10*s*. Show how this cheque may be altered to make it payable to "Order" and give the endorsement which would then be required. (*West Riding C.C. Elem.*)

13. Explain the difference between (1) An "Order" and a "Bearer" cheque; (2) A "crossed" and an "open" cheque. In filling in the figures representing the amount for which you are drawing a cheque, what should you be careful to do, and for what reasons? (*West Riding C.C.*)

14. Give as many examples as you can of the various modes of crossing cheques and state the effect of each. (*West Riding C.C.*)

15. What is meant by drawing bills in a set, and drawing bills in duplicate?

16. Explain "discounting" a bill and show how discount differs from interest.

17. Explain "Secunda Via." What do you understand by "renewing" a bill?

18. What are "accommodation bills" and what is meant by "backing a bill"?

19. Define Usance and state what you know of Banker's drafts and India Council Bills.

20. What are T.T.s and B.P.B.s?

21. What purpose is served by adding to a bill the words "Payable at the rate of Exchange as per first London Endorsement"?

22. Draft a form of P/N by John Smith for £100 payable 1 month after date to the order of Wm. Brown and domicile it at the Provincial Bank of London.

23. J. Mariette in France has sold silk to A. Platt in London for £500, and he wishes to place that sum to his credit with his correspondent in England, F. Williams. Draw the bill (in English) showing how he could do this, and show what safeguard he could adopt to prevent the return of the bill to him in case A. Platt dishonours it?

24. Define in your own words "Holder in due course."

25. What do you understand by payment "Supra Protest," and how is it effected?

26. Give illustrations of qualified acceptances of Bills of Exchange, and state the effect of taking a qualified acceptance.

27. What is an Accommodation Bill? How is such a bill discharged?

28. When a bill is not payable on demand, how is its due date determined?

29. When may a bill be accepted for honour Supra Protest? What responsibility does the acceptor for honour undertake?

30. In case of a foreign bill being dishonoured by non-payment, what steps must be taken to recover on the bill?

31. A has found a crossed cheque marked "Not negotiable" and pays it into his banking account. What is the position of the parties when the true owner claims payment?

32. Show by examples in what ways the sum payable by a B/E may be indicated.

33. When and by whom may a cheque be crossed specially?

34. What Bills of Exchange require noting and protesting?

35. What is a notarial act of honour?

36. In case of a Bill of Exchange being dishonoured, what notice should be given?

37. What Bs/E require a twopenny stamp?

38. "Rice is sent to England for Sale on Commission." State exactly how this end is accomplished and what documents are used.

39. Trace the transition from "Barter" to the modern methods of trade, and state what you conceive to be the chief advantages of commerce.

40. Distinguish between Revenue, Protective, Prohibitive, and Retaliatory duties. What is Preference? What is the "most favoured nation" clause?

41. Explain the wide difference between the values of British Imports and Exports of Merchandise. Do you think we suffer by reason of our large imports, or gain by them?

42. Give an outline of the conditions which must be satisfied before an insolvent debtor can be adjudicated bankrupt.

43. Distinguish between debased and depreciated currency. What circumstances lead to depreciation of paper currency and what is the result of such depreciation?

44. Describe the functions and enumerate the Departments of the Board of Trade.

45. What do you understand by Cable Transfers, and Short and Long Rates for Remittances?

46. What effect has dear money on the Stock Market?

47. Describe the nature and use of Finance Bills.

48. Distinguish between Convertible and Inconvertible Paper Currency and state the advantages and disadvantages of the latter.

49. What is a Clearing House? Name any such institution with which you are acquainted and explain clearly the procedure followed.

50. How is International Trade financed? What documents are used in settling International indebtedness? To what extent is metallic money used?

51. Whence are the funds of the Money Market derived? What is meant by "Cheap Money"?

52. If the Bank Rate is increased by 1 %, what effect would this have on Stock Exchange securities, Consols, for instance? What would be the effect on the price of Consols of a fall in the Bank Rate?

53. Describe as fully as you can the work of a Banker's Clearing House.

54. What figures in the Bank Return constitute the "Reserve"? Why is so much attention paid to fluctuations in the Reserve?

55. What do you understand by "Bank Rate?" What is its relation, if any, to the Market Rate? Is the Deposit Rate in any way connected with it? What does a rise in the Bank Rate imply?

56. What are the regulations under which Bank of England notes are issued? What is the "active" circulation?

57. What do you understand by the "Money Market"?

58. Write out with approximate correctness the current Bank of England return for the Issue Department, giving exact figures for the fiduciary issue.

59. What is a Bank Note, and what are its uses? State the difference between a Bank Note and a cheque.

60. How do you account for London's pre-eminence as a commercial centre and as the money market of the world?

61. Find the sterling equivalent of Francs 16,485·75 @ 124·175; and show at what discount paper dollars stand when the gold premium at a particular centre is 127·275.

62. Enumerate the principal components of the Money Market, and explain carefully the functions of Bill Brokers.

63. What is the regulation weight and fineness of (*a*) the British sovereign; (*b*) German 20-mark gold piece; (*c*) French 20-franc gold piece; (*d*) U.S.A. gold $? Establish the Mint Par of Exchange between England and any one of these countries.

64. What standard of value is used in China, Japan, India, France, Mexico, U.S.A.?

65. If the British sovereign weighs 123·27447 grains, $\frac{11}{12}$ fine, and the U.S. gold $ 25·8 grains $\frac{9}{10}$ fine, show by actual computation the Mint Par of Exchange between England and U.S.A. in terms of the $.

66. What do you understand by (*a*) Specie Points; (*b*) Arbitrage?

67. Explain "Short," "Medium" and "Long" Money. How is a consignment of cotton usually paid for? Explain the procedure, and say what is meant by a Broker being "forced into the Bank."

68. What is the object of putting "in case of need" on a Bill of Exchange? Is the holder bound to take it to the person so named?

69. You receive a B/E dated September 22, payable three months after date. When should it be presented for payment?

70. A B/E has been accepted for the honour of the drawer and is dishonoured by the acceptor for honour. What would you do with it?

71. What is a Letter of Hypothecation?

72. Mention the alterations in a cheque that require confirmation.

73. Show in what ways a cheque may be endorsed, and how to turn a general into a special endorsement.

74. What are "tickets" used for on the Stock Exchange? Explain in detail the process.

75. What do you understand by dealing in options?

76. What is the Stock Exchange settlement? What is a Special settlement?

77. What is meant by (*a*) the Turn of the Market; (*b*) Close Prices;

(*c*) Short of Stock; (*d*) Prices "receded on profit taking"; (*e*) Prices "rose on bear covering"?

78. What is the meaning of the double quotation on Stock Exchange prices? What are (*a*) Wide Quotations; (*b*) Tape Prices; (*c*) the Stock Exchange List; (*d*) Closing Prices; (*e*) Street Prices.

79. Who may be elected a Member of the General Purposes Committee of the London Stock Exchange?

80. Into how many days is settlement divided? Describe the work of each day.

81. Explain the difference between "Contango" and "Backwardation."

82. Name the classes into which shares of Joint Stock Companies may be divided, and describe the characteristics of each.

83. What part of the work of the London Stock Exchange is performed by the Buying-in and Selling-out Department?

84. What is the effect of the notice by a Company that its transfer books will be closed on a certain date on a purchaser of its Stock?

85. Give a brief account of the origin of the National Debt.

86. Explain the following: The Account, Jobbing Book, Contract Note, Founder's Shares, Scrip Certificate.

87. What effect has dear money on the Stock Market?

88. Give the substance of the Rules of the London Stock Exchange as to brokers and double commission.

89. What would be the position of a jobber if a client had sold shares for special settlement and the hammer price on default of the broker had risen, and the client of the broker had come forward and completed his bargain?

90. What difference exists in the use of the word "Funds" when applied to English investments and when applied to Foreign investments?

91. What is the effect of the assured abandoning the subject-matter, and failing to give notice to insurer? When is notice of abandonment not necessary?

92. A cargo valued at £10,000 is insured for £1000 by ten underwriters, who each underwrite £100; the cargo is damaged by sea perils to the extent of £1000. How much is each underwriter liable for?

93. If not provided for otherwise by the policy, what proportion of the loss may the assured recover from the insurer in case of a General Average Contribution and in a case of a General Average Sacrifice?

94. Explain the following: Sue and Labour Clause, Barratry, Implied Warranties, Particular Average Warranty.

95. Explain what is meant by Subrogation. What would be the rights of the parties where, after a ship has been declared missing, and the insurer has paid for a Total Loss, the ship arrives?

96. A ship insured "at and from" C sails from C with an insufficient crew, and is lost. What liability attaches to the insurer?

97. What is meant by the term ' Average unless General"?

98. Distinguish between Re-insurance and Double Insurance.

99. Describe the nature of a Floating Policy. Explain the effect of the words "from" and "at and from" a port in a Marine Policy.

100. What would be the effect on underwriters X and Y in the following circumstance: a vessel is insured with X for a voyage, and sustains a particular average damage, which remains unrepaired when the policy expires Immediately after the expiration of X's policy the vessel is covered for a similar amount by a policy with Y, during the currency of which and before the repair of the damage, the vessel is totally lost?

101. Who would have to pay the rent of warehousing a cargo, and the reloading and outward port charges in the case of a vessel being compelled to put into port for common safety to effect repairs in consequence of a particular average damage ?

102. In what cases may an insurer get a return of the whole or part of the premium, and when may he not ?

103. What are the customs of Lloyd's as to damage by wear and tear to ship's equipment ?

104. " General Average and Salvage Charges payable as per official foreign adjustment, if so made up, or by York-Antwerp Rules, if in accordance with the contract of affreightment." Explain the extract.

105. Define Bottomry and Respondentia ; when may their use be justified ?

106. Explain the following : F.C.S., Average Bond, F.A.A., Barratry, P.P.I. *pro rata* freight.

107. What is meant by the statement that a contract of Marine Insurance is a contract of Indemnity ?

108. What stamp duty is required on a Marine Insurance Policy ?

109. What is included under " Perils of the Sea " in Marine Insurance ?

110. How is the Insurable Value of a ship ascertained ?

111. How is the value of ship, freight and cargo ascertained and verified for purposes of General average ?

112. Where an Insurance is effected by an Agent, what duty is cast upon him as to disclosures ? What would be the effect on an Insurance where the Broker who arranged it omits to disclose a letter in his possession from the captain saying that the ship had been ashore and that she was being repaired ? This was not done dishonestly.

113. Describe in your own words what is meant by " deviation " in Marine Insurance. Is the following " deviation " ? Policy on ship A to B. There are two tracks to B, one going north, the other south of the island C. Sometimes one track, and sometimes the other is the better, and the master ought to exercise his own discretion in each case. The owners direct him to call at a port on the north of the island of C. He thereupon takes the northern course, and his ship is captured.

114. What kind of losses are included in the following ? (1) A cargo of tobacco is so sea-damaged as no longer to answer the description of tobacco ; (2) If by any process the tobacco could be re-conditioned so as to make it saleable as tobacco, but the cost is prohibitive ; (3) If it is not so damaged that it cannot be made saleable tobacco and forwarded to its destination at a reasonable cost.

115. Explain the Difference between Actual and Constructive Total Loss.

116. In the case of a Particular Loss where the Insurer has paid for the same, what is his position as regards the subject-matter of the thing insured, or what remains of it ?

117. " Average payable on each valuation separately or on the whole." Explain the effect of this clause in a Marine Policy.

118. Unless provided otherwise by the policy what losses is an insurer not liable for ?

119. Explain the following : Rules as to notice of abandonment, Captain's Protest, Average Bond, Salvage Loss, and Causa Proxima.

120. An outward bound ship is damaged off Dover. What action would be taken (*a*) by the owners ; (*b*) by the shippers of goods on board ?

121. Explain as fully as you can the "implied warranty" of "Seaworthiness."

122. Give some account of the "Memorandum" contained in a Lloyd's Policy.

123. Describe the functions and organisation of the British Consular Service or of Lloyd's.

124. (*a*) What conditions are essential to the validity of a Marine Insurance Policy according to English law? (*b*) What are the most direct proofs of "Interest"? (*c*) Explain P.P.I.; and Wager Policy.

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